

REPORT TO: DUNDEE CONTRACT SERVICES COMMITTEE – 16 AUGUST 2004

REPORT ON: DUNDEE CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE THREE MONTHS ENDED 30 JUNE 2004

REPORT BY: JOINT REPORT BY DEPUTE CHIEF EXECUTIVE (FINANCE) AND DIRECTOR OF DUNDEE CONTRACT SERVICES

REPORT NO: 541-2004

1 PURPOSE OF REPORT

To appraise the Committee on the financial position and operational performance of Dundee Contract Services (DCS) for the three months ended 30 June 2004.

2 RECOMMENDATIONS

The Committee is asked to note the current financial position and operational performance of DCS.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2004/2005 Revenue Budget included the sum of £665,000 in respect of Dundee Contract Services 2004/2005 surplus being credited to the General Fund.

The cash basis surplus at 30 June 2004, being the enclosed statement with appropriate adjustments, gives a projected annual cash basis surplus estimated to be in the region of £665,000.

4 LOCAL AGENDA 21 IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 BACKGROUND

6.1 The Local Government in Scotland Act 2003 (the Act) repealed the Compulsory Competitive Tendering legislation of 1980 and 1988 and replaced it with a requirement for local authorities to maintain and publish accounts for significant trading operations. The Act places a duty on local authorities to conduct such operations so that, over a three-year rolling period, the revenue of the activity at least equals expenditure. The Finance Committee at its meeting on 12 January 2004 agreed that the City Council would publish Statutory Trading Accounts as required by the Act for those services currently provided by Dundee Contract Services (Report No. 786-2003 refers).

6.2 The Council's Corporate Plan has, as one of its values, to "efficiently utilise our resources to provide the standards of public service expected by the citizens and at an acceptable cost". It is essential that this value is actioned in the monitoring of Dundee Contract Services and the presentation of a quarterly financial and operational report to Dundee Contract Services Committee is seen as a representation of the achievement of that value.

6.3 This monitoring report provides details to the Committee of the financial position and operational performance of Dundee Contract Services in regard to the requirement to meet the surplus set out in the City Council's approved 2004/2005 Revenue Budget and assists Councillors, as committee members, in undertaking their responsibility for the supervision and control of the department.

6.4 The department has two main operational activities, being:-

Property Maintenance and Construction Work
Ground Maintenance and Other Works

7 **DCS FINANCIAL OPERATING STATEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2004**

7.1 The financial operating statement for the three months to 30 June 2004 is detailed in Appendix 1 and it shows the actual financial position as at that date. It is important to stress that the statement is not end of year projections but simply reports on the period referred to, i.e. three months to 30 June 2004. The statement includes an allowance for notional capital charges in line with accounting requirements, however these charges are reversed out and loan charges included and this generates a higher cash basis surplus, which is returned to the Council's General Fund. The estimates detailed in the statement are the direct operational budgets of the activities listed.

7.2 The financial position (including capital charges) of the respective operational activities for the three months to 30 June 2004 can be summarised as follows:-

	<u>Surplus/(Deficit)</u> <u>To 30 June 2004</u> £
Property Maintenance and Construction Work	324,653
Ground Maintenance and Other Related Works	<u>126,708</u>
Total Surpluses to 30 June 2004	<u>451,361</u>

7.3 The statement shows that the account is in surplus and, based on the three months results, by the end of the financial year the budgeted surplus should be met and the statutory requirement of break even exceeded for the second year of a three-year rolling period.

7.4 The actual figures and projected surplus contained within this report take account of the fact that the Housing Partnership Repairs Service is on a 'cost plus' basis and required to break even by the end of the financial year.

8 **DCS OPERATIONAL PERFORMANCE FOR THE THREE MONTHS ENDED 30 JUNE 2004**

8.1 **Trading Results**

The actual turnover for the period, detailed in Appendix 1, is lower than anticipated and has decreased by £146,549 when compared with the corresponding period of last year. This is due in the main to a general decrease in the level of activity in all categories.

The first three months trading results show the surplus at £451,361 compared to £464,398 for the three months ended 30 June 2003. The surplus, although slightly lower than the same period in the previous year, is better than anticipated for the period under review due to the excellent trading results achieved on non-housing maintenance work and large

contracts. These results reflect the DCS's commitment to continued improvement and the attainment of Best Value for the City Council's maintenance and construction projects.

DCS continues to monitor and evaluate performance through monthly meetings of its Business Planning Group and, in accordance with the Department's continuing efforts to improve efficiency has budgeted for £497,000 expenditure on replacement vehicles, plant and equipment out of the current financial year's surplus.

8.2 Works of Maintenance

The programme of work during the period under review was sufficient to keep the workforce fully employed and it is anticipated that the current level of activity will be maintained throughout the remainder of the financial year.

The Gas and Lift Maintenance service programmes are on target and in addition, during the period April to June 2004, the workforce completed the following day-to-day repairs and planned maintenance work:-

<u>Description</u>	<u>Number (Estimated)</u>
Housing	
Responsive repair jobs including voids	18,950
Out of Hours Emergency Repair Jobs	3,008
External Cyclical Maintenance on Properties	2,250
Non Housing	
Responsive Repair Jobs	1,851
Out of Hours Emergency Repair Jobs	12
Housing Co-operatives	
Responsive Repair Jobs	530
Out of Hours Emergency Repair Jobs	40

8.3 Construction Work

The volumes of contract work undertaken during the review period were slightly above the anticipated level of activity. The amount of construction work has risen over the last three months and is expected to remain at current levels over the next few months. This should ensure the workforce is fully employed.

During the period April to the end of June the following contracts were either won in competition or awarded to DCS:-

<u>Description</u>	<u>Number</u>	<u>Total Value</u> <u>£</u>
Major Contracts	7	1,728,000
Minor Contracts	70	485,000

8.4 **Grounds Maintenance and Other Works**

The spring and early summer maintenance have been carried out during the first quarter and all cycles completed according to the annual grounds maintenance plan. Work on landscape contracts including Better Neighbourhood Services Fund projects and one-off orders from various client departments has also continued throughout this period requiring the need to employ additional staff.

8.5 **Training**

DCS's commitment to construction industry training is reflected by the recruitment of a further 13 new apprentices planned during August 2004. This maintains DCS's 10% tradesmen/apprenticeship ratio, which greatly surpasses the construction industry norm. Training and development of all employees is recognised by the department's management team as being critical to maintaining the organisation's success.

The department has been recognised for its commitment to training with accreditation to the prestigious Investors in People standard.

8.6 **Summary**

It is anticipated that the level of workforce will be sustained for the remainder of the financial year and that the department will achieve all the objectives set down in its Business Action Plan.

9 **BEST VALUE**

Management is currently reviewing all services within the Council to achieve "Best Value". This requires the DCS to prove that it can provide a competitive service that meets its customers' requirements. The customers are principally the tenants of Council Houses and the Director of Dundee Contract Services and the Director of Housing will continue to monitor the service provided to ensure that the Council's commitment to Best Value can be demonstrated.

10 **CONSULTATION**

The following Chief Officers have been consulted in the preparation of the report, Chief Executive and Depute Chief Executive (Support Services).

11 **BACKGROUND PAPERS**

The Local Government in Scotland Act 2003
Report to the Finance Committee on 12 January 2004, Report No 786-2003

DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

ROBERT P JACKSON
DIRECTOR OF DUNDEE CONTRACT SERVICES

2 AUGUST 2004

DUNDEE CITY COUNCIL - FINANCE DEPARTMENT
DUNDEE CONTRACT SERVICES PERFORMANCE MONITORING REPORT
FOR THE THREE MONTHS ENDED 30 JUNE 2004

<u>Description</u>	<u>Actual</u> <u>Three months</u> <u>to 30/06/03</u> <u>£</u>	<u>Actual</u> <u>Three months</u> <u>to 30/06/04</u> <u>£</u>	<u>Estimate</u> <u>Year</u> <u>2004/2005</u> <u>£</u>
<u>Maintenance and Construction Work</u>			
Income	4,817,450	4,699,581	19,848,561
Expenditure (incl Estimated Capital Charges)	<u>4,483,740</u>	<u>4,374,928</u>	<u>19,283,561</u>
Surplus/(Deficit)	<u>333,710</u>	<u>324,653</u>	<u>565,000</u>
<u>Grounds Maintenance and Other Works</u>			
Income	1,287,893	1,259,213	5,036,398
Expenditure (incl Estimated Capital Charges)	<u>1,157,205</u>	<u>1,132,505</u>	<u>4,936,398</u>
Surplus/(Deficit)	<u>130,688</u>	<u>126,708</u>	<u>100,000</u>
<u>Total</u>			
Income	6,105,343	5,958,794	24,884,959
Expenditure (incl Estimated Capital Charges)	<u>5,640,945</u>	<u>5,507,433</u>	<u>24,219,959</u>
Surplus/(Deficit)	<u>464,398</u>	<u>451,361</u>	<u>665,000</u>