

**REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE – 13 SEPTEMBER 2010**

**REPORT ON: CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE THREE MONTHS ENDED 30 JUNE 2010**

**REPORT BY: JOINT REPORT BY DIRECTOR OF FINANCE AND DIRECTOR OF CONTRACT SERVICES**

**REPORT NO: 556-2010**

## **1 PURPOSE OF REPORT**

To appraise the Committee on the financial position and operational performance of Contract Services for the three months ended 30 June 2010.

## **2 RECOMMENDATIONS**

The Committee is asked to:

- a note the current financial position and operational performance of Contract Services; and
- b note that Contract Services should exceed the statutory requirement of break even for the third year of the current three year rolling period, which commenced at the start of financial year 2008/2009.

## **3 FINANCIAL IMPLICATIONS**

The City Council's approved 2010/2011 Revenue Budget included the sum of £475,000 in respect of Contract Services 2010/2011 surplus being credited to the General Fund. The surplus at 30 June 2010 amounts to £245,766 which with appropriate adjustments indicates that the budgeted annual surplus will be achieved.

## **4 MAIN TEXT**

- 4.1 Reference is made to Report number 786-2003 to the Finance Committee of 12 January 2004 where it was agreed that the City Council would publish Statutory Trading Accounts, as required by the Local Government in Scotland Act 2003 (the Act), for those services currently provided by Contract Services. The Act places a duty on local authorities to conduct such services so that, over a three year rolling period, the revenue generated at least equals the expenditure incurred.
- 4.2 In addition, the Council's Plan 2010-2012 has, as one of its values, to "efficiently utilise our resources to provide the highest standards of public service expected by the citizens and at an acceptable cost". The presentation of a quarterly financial and operational report to the Housing, Dundee Contract Services and Environment Services Committee is seen as a representation of the achievement of that value.

4.3 This monitoring report provides details to the Committee of the financial position and operational performance of Contract Services in regard to the requirement to meet the surplus set out in the City Council's approved 2010/2011 Revenue Budget and assists Councillors, as committee members, in undertaking their responsibility for the supervision and control of the department.

4.4 The department has two main operational activities, being:

- Property Maintenance and Construction Work
- Land Services

## 5 **CONTRACT SERVICES FINANCIAL OPERATING STATEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2010**

5.1 The financial operating statement for the three months to 30 June 2010 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, ie three months to 30 June 2010. The estimates detailed in the statement are the direct operational budgets of the activities listed.

5.2 The statement shows that the account is in surplus and, based on the three months results, the statutory requirement of break even should be exceeded for the third year of the current three-year rolling period, which commenced at the start of financial year 2008/2009.

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

## 6 **CONTRACT SERVICES OPERATIONAL PERFORMANCE FOR THE THREE MONTHS ENDED 30 JUNE 2010**

### 6.1 **Trading Results**

The actual turnover for the period, detailed in Appendix 1, has increased by £811,256 when compared with the corresponding period of last year. This is due to an increase in turnover on major construction contracts won by the department.

In spite of difficult trading conditions within the construction industry, performance for the three month period has been in line with expectations, and a surplus of £245,766 achieved (Statutory Basis surplus £221,864). However, the prevailing market conditions and the requirement for the department to ensure competitiveness with the private sector, will result in challenging conditions for the rest of the year.

Contract Services department continues to monitor and evaluate performance through regular meetings of its Senior Management Team.

### 6.2 **Maintenance Work**

Housing Repairs and Maintenance is carried out under the terms of a Partnership Agreement established in 2004 and recently extended for a further five years in 2009. Performance in this area is closely scrutinised by a Management Board comprising senior managers from Housing, Finance and Contract Services and by a Partnership Board which includes representatives of the Dundee Federation of Tenants' Association. The trend in both value of work and numbers of jobs has remained constant whilst works to prepare void property for relet have increased significantly over the three month

period. External Cyclical Maintenance is slightly ahead of programme and progress is being monitored and regulated to achieve budget spend. The department has been successful in winning work in competition for Fife Council and Angus Housing Association. It continues to explore opportunities for new areas of work with other public sector bodies to assist in the management of its resources.

Non-housing property maintenance also operates under a Partnership Agreement and the trend in both value and content of this work has significantly reduced compared with previous years.

<b><u>Description</u></b>	<b><u>Number (Estimated)</u></b>
<b>Housing</b>	
Responsive repair jobs including voids but excluding daytime emergencies	8,561
Emergency Repair Jobs including daytime emergencies	8,661
<b>Non Housing</b>	
Responsive Repair Jobs excluding daytime emergencies	921
Emergency Repair Jobs including daytime emergencies	473

### 6.3 **Construction Work**

Contract Services is one of the Housing Department's key partners in delivering the Scottish Housing Quality Standard and is involved in a rolling programme of kitchen and bathroom replacements as well as heating replacement, rewire and roofing contracts. Much of this work is done under partnering arrangements, delivering on Best Value objectives. Works are continuing on the New Cafe and Visitors Centre at Camperdown Park which is the first new build contract undertaken by the department for several years.

During the period April to the end of June the following contracts were secured:

<b><u>Description</u></b>	<b><u>Number</u></b>	<b><u>Total Value</u></b> <b>£</b>
Major Contracts	28	4,636k
Minor Contracts	14	52k

### 6.4 **Land Services**

In the three month period, Land Services has been employed, mainly, on cyclical maintenance works, with all works being completed in accordance with the annual grounds maintenance plan.

Landscape contract works have increased significantly with the award of the Riverside Nature Park contract. In addition, other opportunities to increase external workload are being pursued to ensure a continuity of workload for the permanent workforce.

### 6.5 **Training**

The department's commitment to construction industry training is reflected by the recruitment of a further nine new apprentices during 2010/11. This maintains Contract Service's 10% tradesmen/apprenticeship ratio, which greatly surpasses the construction industry norm.

In addition to the training of apprentices, the department invests heavily in training of its workforce, particularly in relation to Health & Safety, and is committed to the principles of Lifelong Learning set out in the Community Plan. 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 maintained its status as an Investor in People.

## 6.6 **Summary**

Contract Services plays an important role in the achievement of the Council's objective of sustaining a working city employing over 550 local tradesmen and construction professionals along with awarding over £6m per annum of works to local suppliers and sub-contractors. The Department recognises the contribution which its employees make and invests heavily in their training and development. The department plays a key role in responding to challenges on sustainability and waste management issues and contributes to the Council's key objectives of improving Quality of Life and creating Healthy and Safe Communities.

The Contract Services Department's service plan was approved in June 2010 and sets out how the department will contribute to achieving the Council's overall objectives and priorities.

## 7 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

## 8 **CONSULTATION**

The Chief Executive and Depute Chief Executive (Support Services) have been consulted in the preparation of this report. No concerns were expressed.

## 9 **BACKGROUND PAPERS**

Report to the Finance Committee on 12 January 2004, Report No 786-2003

**MARJORY STEWART**  
**DIRECTOR OF FINANCE**  
**19 AUGUST 2010**

**KEN LAING**  
**DIRECTOR OF CONTRACT SERVICES**

**DUNDEE CITY COUNCIL - FINANCE DEPARTMENT**  
**CONTRACT SERVICES PERFORMANCE MONITORING REPORT**  
**FOR THE THREE MONTHS ENDED 30 JUNE 2010**

<b><u>Description</u></b>	<b><u>Actual</u></b> <b><u>Three months</u></b> <b><u>to 30/06/09</u></b> <b><u>£</u></b>	<b><u>Actual</u></b> <b><u>Three months</u></b> <b><u>to 30/06/10</u></b> <b><u>£</u></b>	<b><u>Estimate</u></b> <b><u>Year</u></b> <b><u>2010/2011</u></b> <b><u>£</u></b>
<b><u>Property Maintenance and Construction Work</u></b>			
Income	5,465,673	6,272,902	22,830,000
Expenditure	<u>5,333,753</u>	<u>6,087,329</u>	<u>22,452,000</u>
Surplus/(Deficit)	<u>131,920</u>	<u>185,573</u>	<u>378,000</u>
 <b><u>Land Services</u></b>			
Income	1,344,333	1,348,360	5,278,000
Expenditure	<u>1,281,614</u>	<u>1,288,167</u>	<u>5,181,000</u>
Surplus/(Deficit)	<u>62,719</u>	<u>60,193</u>	<u>97,000</u>
 <b><u>Total</u></b>			
Income	6,810,006	7,621,262	28,108,000
Expenditure	<u>6,615,367</u>	<u>7,375,496</u>	<u>27,633,000</u>
Surplus/(Deficit)	<u>194,639</u>	<u>245,766</u>	<u>475,000</u>