

**REPORT TO:** HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE – 24 NOVEMBER 2008

**REPORT ON:** CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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

**REPORT NO:** 593-2008

## **1 PURPOSE OF REPORT**

To appraise the Committee on the financial position and operational performance of Contract Services for the six months ended 30 September 2008.

## **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 2006/2007.

## **3 FINANCIAL IMPLICATIONS**

The City Council's approved 2008/2009 Revenue Budget included the sum of £778,000 in respect of Contract Services 2008/2009 surplus being credited to the General Fund. The surplus at 30 September 2008, which amounts to £428,193 with appropriate adjustments, indicates that the budgeted annual surplus of £778,000 will be achieved.

## **4 MAIN TEXT**

- 4.1 The Local Government in Scotland Act 2003 (the Act) repealed the Compulsory Competitive Tendering legislation of 1980 and 1988 and replaced it with a requirement for local authorities to maintain and publish accounts for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 Contract Services (Report No 786-2003 refers).
- 4.2 The Council's Plan 2007-2011 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 Contract Services and 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 2008/2009 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 SIX MONTHS ENDED 30 SEPTEMBER 2008**

- 5.1 The financial operating statement for the six months to 30 September 2008 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 six months to 30 September 2008. The estimates detailed in the statement are the direct operational budgets of the activities listed.
- 5.2 The financial position of the respective operational activities for the six months to 30 September 2008 can be summarised as follows:-

|   | <b><u>Surplus/(Deficit)</u></b><br><b><u>to 30 Sept 2008</u></b> |
|---|--|
|   | <b><u>£</u></b>  |
| Property Maintenance and Construction Work  | 381,595  |
| Land Services                               | <u>46,598</u>  |
| <b>Total Surpluses to 30 September 2008</b> | <b><u>428,193</u></b>  |

The department's Statutory Basis surplus for the six months to 30 September 2008, which includes Capital Charges, amounts to £330,193.

- 5.3 The statement shows that the account is in surplus and, based on the six 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 2006/2007.
- 5.4 The actual figures and projected surplus contained within this report take account of the fact that the Housing Repairs Partnership is on a 'cost plus' basis and required to break even by the end of the financial year.

## 6 **CONTRACT SERVICES OPERATIONAL PERFORMANCE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

### 6.1 **Trading Results**

The actual turnover for the period, detailed in Appendix 1, has reduced by £631,426 when compared with the corresponding period of last year. This is due to a decrease in turnover on both Ground Maintenance Work, and Property Maintenance and Construction Work of £150,293 and £481,133 respectively.

A surplus of £428,193 was achieved during the first six months of trading compared to £714,685 for the six months ended 30 September 2007. This partly reflects the decrease in turnover as detailed above.

Contract Services continues to monitor and evaluate performance through meetings of its Policy and Strategy Group which membership comprises of the Senior Management Team.

## 6.2 **Maintenance Work**

Housing Repairs and Maintenance is carried out under the terms of a Partnership Agreement established in 2004. 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 continues to be downward for responsive repairs, as does the number of tradesmen which this work can support. Works to prepare void property for relet remain fairly constant. External Cyclical Maintenance is slightly behind programme however this situation is being monitored and not a cause for concern. The department is actively exploring opportunities to identify new areas of work with other public sector bodies to assist in the management of its resources in the future.

Non-housing property maintenance also operates under a Partnership Agreement and the trend in both value and content of this work is in line 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 | 18,060                           |
| Emergency Repair Jobs including daytime emergencies                      | 16,912                           |
| External Cyclical Maintenance on Properties                              | 2,850                            |
| <b>Non Housing</b>   |                                  |
| Responsive Repair Jobs excluding daytime emergencies                     | 1,900                            |
| Emergency Repair Jobs including daytime emergencies                      | 1,055                            |

## 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. The Department is committed to partnership working as the way ahead.

During the period April to the end of September 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           | 16                   | 3,829,500                 |
| Minor Contracts           | 90                   | 798,000                   |

## 6.4 **Land Services**

In the first six months, Land Services have been employed, mainly, on landscape maintenance works, with all works being completed in accordance with the annual grounds maintenance plan. Activity in Land Services has been hampered by adverse weather conditions during the summer months

The grounds maintenance programme along with orders received for landscape contract work will keep the permanent workforce fully employed for the remainder of the financial year.

## 6.5 **Training**

The department's commitment to construction industry training is reflected by the recruitment of a further twelve new apprentices during August 2008. This maintains Contract Service'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.

In addition to the apprentices, the department invests heavily in training, particularly in relation to Health & Safety, and is committed to the principles of Lifelong Learning set out in the Community Plan.

The department has maintained its status as an Investor in People.

## 6.6 **Summary**

Contract Services plays a significant role in the achievement of the Council's objectives of modernising and improving services and making best use of public resources. 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 plays its part in Building Stronger Communities.

## 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, Depute Chief Executive (Support Services) and Depute Chief Executive (Finance) have been consulted in the preparation of this report.

## 9 **BACKGROUND PAPERS**

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

**MARJORY STEWART**  
**HEAD OF FINANCE**  
**10 NOVEMBER 2008**

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

**DUNDEE CITY COUNCIL - FINANCE DEPARTMENT**  
**CONTRACT SERVICES PERFORMANCE MONITORING REPORT**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008**

| <b><u>Description</u></b>                                | <b><u>Actual</u><br/><u>Six months</u><br/><u>to 30/09/07</u><br/><u>£</u></b> | <b><u>Actual</u><br/><u>Six months</u><br/><u>to 30/09/08</u><br/><u>£</u></b> | <b><u>Estimate</u><br/><u>Year</u><br/><u>2008/2009</u><br/><u>£</u></b> |
|--|--|--|--|
| <b><u>Property Maintenance and Construction Work</u></b> |  |  |  |
| Income   | 10,430,735   | 9,949,602  | 20,922,490   |
| Expenditure  | <u>9,951,261</u>   | <u>9,568,007</u>   | <u>20,381,490</u>  |
| Surplus/(Deficit)  | <u>479,474</u>   | <u>381,595</u>   | <u>541,000</u>   |
| <br><b><u>Land Services</u></b>                          |  |  |  |
| Income   | 2,766,480  | 2,616,187  | 5,485,664  |
| Expenditure  | <u>2,531,269</u>   | <u>2,569,589</u>   | <u>5,248,664</u>   |
| Surplus/(Deficit)  | <u>235,211</u>   | <u>46,598</u>  | <u>237,000</u>   |
| <br><b><u>Total</u></b>                                  |  |  |  |
| Income   | 13,197,215   | 12,565,789   | 26,408,154   |
| Expenditure  | <u>12,482,530</u>  | <u>12,137,596</u>  | <u>25,630,154</u>  |
| Surplus/(Deficit)  | <u>714,685</u>   | <u>428,193</u>   | <u>778,000</u>   |