

REPORT TO: DSO COMMITTEE - 9 SEPTEMBER 2002

REPORT ON: DLO/DSO FINANCIAL OPERATING STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2002

REPORT BY: JOINT REPORT BY CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

REPORT NO: 662-2002

1 PURPOSE OF REPORT

To appraise the Committee on the financial position of the City Council's Direct Labour Organisation (DLO) and Direct Service Organisations (DSO) for the three months ended 30 June 2002.

2 RECOMMENDATIONS

The Committee is asked to:

- a note the current financial position of each of the respective DLO and DSOs;
- b instruct the appropriate Chief Officers within each DLO and DSO to take the necessary actions to ensure that their DLO/DSO's budgeted surplus is achieved in the financial year 2002/2003.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2002/2003 Revenue Budget included the sum of £1,072,000 in respect of City Council DLO/DSO's 2002/2003 surpluses being credited to the General Fund.

The cash surpluses at 30 June 2002, being the enclosed statements with appropriate adjustments, gives a projected annual cash surplus estimated to be in the region of the annual budgeted surplus target of £1,072,000.

4 LOCAL AGENDA 21 IMPLICATIONS

None.

5 EQUAL OPPORTUNITIES IMPLICATIONS

None.

6 BACKGROUND

- 6.1 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 the Council's DLO and DSO bodies and the presentation of a quarterly monitoring report to the DSO Committee is seen as a representation of the achievement of that value.
- 6.2 The accounting requirements of DLOs and DSOs are controlled by the Local Government Planning and Land Act 1980, the Local Government Act 1988 and subsequent regulations. The legislation requires DLOs and DSOs to achieve an annual financial objective, set by Scottish Ministers, on statutory/defined activity work.

Up to 31 March 1996 the financial objective set by Central Government was to achieve a 6% rate of return on capital employed on a current cost accounting basis. However, if the Authority invited tenders allowing the successful contractor free use of assets for the purposes of undertaking the work the assets were not counted as capital employed and the DLOs/DSOs need only to achieve breakeven on their revenue accounts.

From 1 April 1996 new capital accounting requirements were introduced which amended the financial objective to achieving breakeven after the inclusion of notional capital charges on relevant assets.

6.3 With effect from 1 April 2002 the work undertaken by the former Leisure and Arts Ground Maintenance and Leisure Management DSOs was disaggregated and certain works transferred to Dundee Contract Services the balance being retained by the Leisure and Arts Department. Work relating to the two aforementioned defined activities ie ground maintenance and leisure management, is carried out by both departments who monitor and control the work separately. For the purposes of this report the separate financial operating statements prepared by the two departments have been combined to form total defined activity accounts to comply with legislative requirements.

6.4 The City Council operates one DLO and four DSO accounts, being:

Dundee Contract Services, and

Environmental and Consumer Protection - Cleansing DSO
 Dundee Contracts/Leisure and Arts - Ground Maintenance DSO
 Dundee Contracts/Leisure and Arts - Leisure Management DSO
 Cleaning of Buildings DSO

In addition, the City Council is one of the constituent Councils to the Joint Committee which manages Tayside Contracts

7 **DLO/DSO FINANCIAL OPERATING STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2002**

7.1 The financial operating statements for the three months to 30 June 2002 are detailed in Appendices 1 and 2 and show the actual financial position as at that date. It is important to stress that these statements are not end of year projections but simply reports on the period referred to ie three months to 30 June 2002. The statements include an allowance for notional capital charges in line with the statutory financial objectives, however these charges are reversed out and loan charges included and this generates a higher cash surplus which is returned to the Council's General Fund.

7.2 The financial position (including capital charges) of the respective DLO/DSO's for the three months to 30 June 2002 can be summarised as follows:

	<u>Surplus/(Deficit) to 30 June 2002</u>
	£
Dundee Contract Services	263,552
ECPD - Cleansing DSO	32,312
Dundee Contract Services/Leisure and Arts - Ground Maintenance DSO	51,050
Dundee Contract Services/Leisure and Arts - Leisure Management DSO	-
Cleaning of Buildings DSO	5,009
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- 7.3 The City Council's only Direct Labour Organisation's Financial Statement shows an overall surplus at 30 June 2002 of £263,552 as detailed in Appendix 1.

This has been achieved as a result of the efforts of management and workforce working together to minimise overheads and improve efficiency.

It is anticipated that the DLO will continue to be in surplus during the current financial year achieving its budgeted surplus of £565,000 and the statutory financial objectives of breakeven.

- 7.4 The City Council's Direct Service Organisations' Financial Statements are detailed in Appendix 2.

The DSO statements show that each account is either in surplus or achieved breakeven at 30 June 2002 and it is expected that all budget surpluses will be met along with the statutory financial objectives by the end of the current financial year.

8 **BEST VALUE**

Management is currently reviewing all services within the Council to achieve "Best Value". This requires the DLO and DSOs to prove that they can provide a competitive service which meets its customers requirements. In respect of the DLO the customers are 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.

9 **TAYSIDE CONTRACTS FINANCIAL OPERATING STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2002**

The other Direct Labour Organisation in which the City Council has an interest is Tayside Contracts, which is controlled by a Joint Committee incorporating members of the City Council, Perth & Kinross Council and Angus Council.

It is anticipated that Tayside Contracts will achieve the City Council's budgeted share of the surplus totalling £250,000 in the current financial year.

10 **CONSULTATION**

The following Chief Officers have been consulted in the preparation of the report, Chief Executive, Director of Support Services, Director of Dundee Contract Services, Director of Environmental and Consumer Protection, Director of Leisure and Arts.

ALEX STEPHEN
CHIEF EXECUTIVE

DAVID K DORWARD
DIRECTOR OF FINANCE

Background Papers

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

Dundee City Council – Finance Department**DLO Performance Monitoring Report for the three months ended 30 June 2002**

DIRECT LABOUR ORGANISATION					
Three months to 30/06/02					
<u>Dundee Contracts</u>	<u>Maintenance</u>	<u>Construction Work</u>		<u>Total</u>	<u>2002/2003</u>
		<u>Below</u>	<u>Above</u>		<u>Annual</u>
	£	£50,000	£50,000	£	£
Income	3,027,096	110,338	851,087	3,988,521	19,032,664
Expenditure (incl Estimated Capital Charges)	2,875,353	89,888	759,728	3,724,969	18,467,664
Surplus/(Deficit)	151,743	20,450	91,359	263,552	565,000

Dundee City Council – Finance Department**DSO Performance Monitoring Report for the three months ended 30 June 2002****DIRECT SERVICE ORGANISATIONS**

<u>ECPD Cleansing</u>	Refuse Collection	Other Cleaning	Total	2002/2003 Annual Budget
	£	£	£	£
Income	958,758	736,361	1,695,119	6,795,000
Expenditure (incl Estimated Capital Charges)	949,414	713,393	1,662,807	6,668,000
Surplus/(Deficit)	9,344	22,968	32,312	127,000

<u>Dundee Contracts/Leisure and Arts – Ground Maintenance</u>	Defined Work	Non Defined Work	Total	2002/2003 Annual Budget
	£	£	£	£
Income	1,287,327	311,639	1,598,966	6,030,423
Expenditure (incl Estimated Capital Charges)	1,246,227	301,689	1,547,916	5,930,423
Surplus/(Deficit)	41,100	9,950	51,050	100,000

<u>Dundee Contracts/Leisure and Arts – Leisure Management</u>	Defined Work	2002/2003 Annual Budget
	£	£
Income	860,841	3,343,538
Expenditure	860,841	3,343,538
Surplus/(Deficit)	-	-

<u>Cleaning of Buildings</u>	Defined Work	2002/2003 Annual Budget
	£	£
Income	48,646	214,332
Expenditure	43,637	184,332
Surplus/(Deficit)	5,009	30,000