

REPORT TO: DSO COMMITTEE - 13TH NOVEMBER 2000

REPORT ON: DLO/DSO FINANCIAL OPERATING STATEMENTS FOR SIX MONTHS ENDED 30 SEPTEMBER 2000

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

REPORT NO: 709-2000

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 six month period ended 30 September 2000.

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 2000/2001.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2000/2001 Revenue Budget included the sum of £961,000 in respect of City Council DLO/DSO's 2000/2001 surpluses being credited to the General Fund.

The cash surpluses at 30 September 2000, being the enclosed statements with appropriate adjustments, gives a projected annual cash surplus estimated to be £1,456,000 which exceeds the sum included in the Final 2000/2001 Revenue Budget by £495,000.

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 the Secretary of State for Scotland, 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 The City Council operates one DLO and four DSO organisations, being:

Dundee Contract Services, and

Environmental and Consumer Protection - Cleansing DSO

Leisure and Parks – Ground Maintenance DSO

Leisure and Parks – 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 SIX MONTHS ENDED 30 SEPTEMBER 2000**

7.1 The financial operating statements for the six months to 30 September 2000 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 six months to 30 September 2000. 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 six months to 30 September 2000 can be summarised as follows:

	<u>Surplus/(Deficit) to 30 September 2000</u> £
Dundee Contract Services	732,350
ECPD Cleansing DSO	124,856
Leisure & Parks Ground Maintenance DSO	125,175
Leisure & Parks Leisure Management DSO	55,802
Cleaning of Buildings DSO	20,583
Total DLO/DSO Net Surpluses to 30 September 2000	<u>1,058,766</u>

7.3 The City Council's only Direct Labour Organisation's Financial Statement shows an overall surplus at 30 September 2000 of £732,350 as detailed in Appendix 1.

This has been achieved as a result of an increase in turnover and 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 exceeding its budgeted surplus by £524,000 and achieve the statutory requirement 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 in surplus at 30 September 2000 and it is expected that all DSOs will achieve their budgeted surpluses and meet the statutory requirement of breakeven 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 SIX MONTHS ENDED 30 SEPTEMBER 2000**

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. The Tayside Contracts financial statements as at 30 September 2000 are currently being prepared.

The City Council's approved 2000/2001 Revenue Budget included an estimated share of Tayside Contracts surplus amounting to £250,000 ie 25% of £1,000,000. However, Tayside Contracts set their overall budgeted surplus at £884,000 instead of £1,000,000 which reduced the City Council's estimated share of their surplus from £250,000 to £221,000. The inconsistency between the City Council's figure and Tayside Contracts estimate arose because of timing differences in preparing the two budgets.

It is anticipated that Tayside Contracts will achieve their overall budgeted surplus of £884,000, in the current financial year. The City Council's share is £221,000 which is £29,000 short of the amount included in the approved 2000/2001 Revenue Budget.

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 Parks.

ALEX STEPHEN
CHIEF EXECUTIVE

DAVID K DORWARD
DIRECTOR OF FINANCE

Background Papers
None

Dundee City Council – Finance Department**DLO Performance Monitoring Report for the six months ended 30 September 2000**

DIRECT LABOUR ORGANISATION					
Six months to 30/09/00					
<u>Dundee Contracts</u>	<u>Maintenance</u>	<u>Construction Work</u>		<u>Total</u>	<u>2000/2001</u>
		<u>Below</u>	<u>Above</u>		
	£	£50,000	£50,000	£	£
Income	6,333,818	102,827	3,152,470	9,589,115	17,669,000
Expenditure (incl Estimated Capital Charges)	5,755,863	96,302	3,004,600	8,856,765	17,429,000
Surplus/(Deficit)	577,955	6,525	147,870	732,350	240,000

Dundee City Council – Finance Department

DSO Performance Monitoring Report for the six months ended 30 September 2000

DIRECT SERVICE ORGANISATIONS

<u>ECPD Cleansing</u>	Refuse Collection	Other Cleaning	Total	2000/2001 Annual Budget
	£	£	£	£
Income	1,741,050	1,359,116	3,100,166	5,934,000
Expenditure (incl Estimated Capital Charges)	1,691,188	1,284,122	2,975,310	5,806,680
Surplus/(Deficit)	49,862	74,994	124,856	127,320

<u>Leisure & Parks – Ground Maintenance</u>	Defined Work	Non Defined Work	Total	2000/2001 Annual Budget
	£	£	£	£
Income	2,362,271	571,863	2,934,134	5,631,421
Expenditure (incl Estimated Capital Charges)	2,261,493	547,466	2,808,959	5,442,961
Surplus/(Deficit)	100,778	24,397	125,175	188,460

<u>Leisure & Parks – Leisure Management</u>	Defined Work	2000/2001 Annual Budget
	£	£
Income	1,756,916	3,418,296
Expenditure	1,701,114	3,291,856
Surplus/(Deficit)	55,802	126,440

<u>Cleaning of Buildings</u>	Defined Work	2000/2001 Annual Budget
	£	£
Income	95,848	187,522
Expenditure	75,265	157,522
Surplus/(Deficit)	20,583	30,000