

REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE – 14 MARCH 2011

REPORT ON: CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

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

REPORT NO: 112-2011

1 PURPOSE OF REPORT

To appraise the Committee on the financial position and operational performance of Contract Services for the nine months ended 31 December 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 are likely to incur a statutory loss in the current financial year although it should achieve the statutory requirement of break even over 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 cash based surplus at 31 December 2010 amounts to £420,238 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 NINE MONTHS ENDED 31 DECEMBER 2010**

5.1 The financial operating statement for the nine months to 31 December 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 nine months to 31 December 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, however based on the nine months results, it is likely that a loss will be incurred on a statutory basis within the current financial year although the statutory requirement of break even should be achieved over 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 required to break even by the end of the financial year.

6 **CONTRACT SERVICES OPERATIONAL PERFORMANCE FOR THE NINE MONTHS ENDED 31 DECEMBER 2010**

6.1 **Trading Results**

The actual turnover for the period, detailed in Appendix 1, has increased by £1,903,067 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 nine month period has been in line with expectations, and a surplus of £420,238 achieved (Statutory Basis surplus £349,012). However, the prevailing market conditions and the requirement for the department to ensure competitiveness with the private sector, will continue to present challenging conditions for the rest of the year.

Construction activity was very badly hit during November and December due to the severe weather conditions. This resulted in a significant reduction in surpluses generated on construction activity.

Contract Services department continues to monitor and evaluate performance through 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 nine 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 is reducing compared with previous years.

<u>Description</u>	<u>Number (Estimated)</u>
Housing	
Responsive repair jobs including voids but excluding daytime emergencies	52,038
Emergency Repair Jobs including daytime emergencies	27,968
Non Housing	
Responsive Repair Jobs excluding daytime emergencies	2,967
Emergency Repair Jobs including daytime emergencies	1,709

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 have been successfully completed on the New Cafe and Visitors Centre at Camperdown Park which is the first new build contract undertaken by the department for several years and has commenced on the refurbishment of the former Grove Academy.

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

<u>Description</u>	<u>Number</u>	<u>Total Value</u> <u>£000</u>
Major Contracts	39	6,515
Minor Contracts	31	207

6.4 **Land Services**

In the nine month period, Land Services has been employed, mainly, on landscape 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, the department has recruited a further two apprentices in their final year who recently were made redundant from local companies going into administration.

The department has provided training for a total of 26 Future Job Fund trainees who have been employed on the redecoration of housing properties for relet.

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. 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 objectives of sustaining a working city employing over 550 local tradesman 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
11 FEBRUARY 2011

KEN LAING
DIRECTOR OF CONTRACT SERVICES

DUNDEE CITY COUNCIL - FINANCE DEPARTMENT
CONTRACT SERVICES PERFORMANCE MONITORING REPORT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

<u>Description</u>	<u>Actual</u> <u>Nine months</u> <u>to 31/12/09</u> <u>£</u>	<u>Actual</u> <u>Nine months</u> <u>to 31/12/10</u> <u>£</u>	<u>Budget</u> <u>Year</u> <u>2010/2011</u> <u>£</u>
<u>Property Maintenance and Construction Work</u>			
Income	16,964,478	18,285,137	22,830,000
Expenditure	<u>16,376,387</u>	<u>18,026,576</u>	<u>22,452,000</u>
Surplus/(Deficit)	<u>588,091</u>	<u>258,561</u>	<u>378,000</u>
<u>Land Services</u>			
Income	3,711,895	4,294,303	5,278,000
Expenditure	<u>3,601,695</u>	<u>4,132,626</u>	<u>5,181,000</u>
Surplus/(Deficit)	<u>110,200</u>	<u>161,677</u>	<u>97,000</u>
<u>Total</u>			
Income	20,676,373	22,579,440	28,108,000
Expenditure	<u>19,978,082</u>	<u>22,159,202</u>	<u>27,633,000</u>
Surplus/(Deficit)	<u>698,291</u>	<u>420,238</u>	<u>475,000</u>