

REPORT TO: DUNDEE CONTRACT SERVICES COMMITTEE - 9 FEBRUARY 2004

REPORT ON: DLO/DSO FINANCIAL OPERATING STATEMENTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2003

REPORT BY: JOINT REPORT BY CHIEF EXECUTIVE AND DEPUTE CHIEF
EXECUTIVE (FINANCE)

REPORT NO: 124-2004

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 nine months ended 31 December 2003.

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 2003/2004.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2003/2004 Revenue Budget included the sum of £1,114,000 in respect of City Council DLO/DSO's 2003/2004 surpluses being credited to the General Fund.

The cash surpluses at 31 December 2003, being the enclosed statements with appropriate adjustments, gives a projected annual cash surplus estimated to be in the region of £1,114,000.

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 This monitoring report provides details to the Dundee Contract Services Committee of the financial position of the four City Council's DLO/DSOs in regard to their requirement to meet the surpluses set out in the approved 2003/2004 Revenue Budget.

- 6.3 The City Council operates one DLO and three DSOs, being:

Dundee Contract Services - Property Maintenance and Construction Work DLO
 Dundee Contract Services - Ground Maintenance and Other Works DSO
 Waste Management - Cleansing 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 NINE MONTHS ENDED 31 DECEMBER 2003**

- 7.1 The financial operating statements for the nine months to 31 December 2003 are detailed in Appendix 1 and it shows 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 nine months to 31 December 2003. The statements include an allowance for notional capital charges in line with accounting requirements, 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 nine months to 31 December 2003 can be summarised as follows:

| | Surplus/(Deficit) to 31 December 2003 £ |
|---|---|
| Dundee Contract Services - Property Maintenance and Construction Work DLO | 803,352 |
| Dundee Contract Services - Ground Maintenance and Other Works DSO | 143,743 |
| Waste Management - Cleansing DSO | 24,457 |
| Cleaning of Buildings DSO | <u>5,807</u> |
| Total DLO/DSO Surpluses to 31 December 2003 | <u>977,359</u> |

It should be noted that the funding of replacement vehicles, plant and equipment totalling £496,000 has to be deducted from the aforementioned figures before the net surpluses are returned to the General Fund.

- 7.3 The City Council's Direct Labour Organisation's and Direct Service Organisations' Financial Statements are detailed in Appendix 1.

The statements show that each account is in surplus at 31 December 2003 and it is expected that the overall budgeted surplus will be met by the end of the 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 principally 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 STATEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2003**

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 31 December 2003 are currently being prepared.

It is assumed that Tayside Contracts will achieve the City Council's budgeted share of the surplus totalling £292,000 in the current financial year, through a combination of current year surpluses and transfer from Reserves.

10 **CONSULTATION**

The following Chief Officers have been consulted in the preparation of the report, Depute Chief Executive (Support Services), Director of Dundee Contract Services and Head of Waste Management.

11 **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.

ALEX STEPHEN
CHIEF EXECUTIVE

DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

30 JANUARY 2004

Dundee City Council - Finance Department**DLO/DSO Performance Monitoring Report for the nine months ended 31 December 2003**

| <u>Dundee Contract Services Property Maintenance and Construction Works</u> | Property Maintenance | <u>Construction Work</u> | | Total | 2003/2004 Annual Budget |
|--|---------------------------------|---------------------------------|--------------------------|--------------|--|
| | | Below £50,000 | Above £50,000 | | |
| | £ | £ | £ | £ | £ |
| Income | 10,549,896 | 179,613 | 4,260,291 | 14,989,800 | 19,806,656 |
| Expenditure (incl Estimated Capital Charges) | 10,120,273 | 171,639 | 3,894,536 | 14,186,448 | 19,241,656 |
| Surplus/(Deficit) | 429,623 | 7,974 | 365,755 | 803,352 | 565,000 |

| <u>Dundee Contracts Services - Ground Maintenance and Other Works</u> | Total | 2003/2004 Annual Budget |
|--|--------------|--|
| | £ | £ |
| Income | 3,547,968 | 4,471,026 |
| Expenditure (incl Estimated Capital Charges) | 3,404,225 | 4,371,026 |
| Surplus/(Deficit) | 143,743 | 100,000 |

| <u>Waste Management - Cleansing</u> | Refuse Collection | Other Cleaning | Total | 2003/2004 Annual Budget |
|--|------------------------------|---------------------------|--------------|--|
| | £ | £ | £ | £ |
| Income | 3,080,746 | 2,320,457 | 5,401,203 | 7,298,000 |
| Expenditure (incl Estimated Capital Charges) | 3,057,432 | 2,319,314 | 5,376,746 | 7,171,000 |
| Surplus/(Deficit) | 23,314 | 1,143 | 24,457 | 127,000 |

| <u>Cleaning of Buildings</u> | Total | 2003/2004 Annual Budget |
|-------------------------------------|--------------|--|
| | £ | £ |
| Income | 165,239 | 221,367 |
| Expenditure | 159,432 | 191,367 |
| Surplus/(Deficit) | 5,807 | 30,000 |