

REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES
COMMITTEE – 25 FEBRUARY 2008

REPORT ON: CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND
OPERATIONAL PERFORMANCE FOR THE NINE MONTHS ENDED
31 DECEMBER 2007

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

REPORT NO: 127-2008

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 2007.

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 2005/2006.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2007/2008 Revenue Budget included the sum of £839,000 in respect of Contract Services 2007/2008 surplus being credited to the General Fund. The surplus at 31 December 2007, which amounts to £931,630 with appropriate adjustments, indicates that the budgeted annual surplus of £839,000 should be exceeded.

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- 4.1 The Local Government in Scotland Act 2003 (the Act) repealed the Compulsory Competitive Tendering legislation of 1980 and 1988 and replaced it with a requirement for local authorities to maintain and publish accounts for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 Dundee Contract Services (Report No 786-2003 refers).
- 4.2 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 Contract Services and the presentation of a quarterly financial and operational report to Contract 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 2007/2008 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 2007**

- 5.1 The financial operating statement for the nine months to 31 December 2007 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 2007. 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 nine months to 31 December 2007 can be summarised as follows:-

Surplus/(Deficit)
to 31 December 2007
£

Property Maintenance and Construction Work	565,174
Land Services	<u>366,456</u>
Total Surpluses to 31 December 2007	<u>931,630</u>

The department's Statutory Basis surplus for the nine months to 31 December 2007, which includes Capital Charges, amounts to £725,957.

- 5.3 The statement shows that the account is in surplus and, based on the nine 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 2005/2006.
- 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 NINE MONTHS ENDED 31 DECEMBER 2007**

6.1 **Trading Results**

The actual turnover for the period, detailed in Appendix 1, has increased by £340,438 when compared with the corresponding period of last year. This is due to an increase in turnover on Ground Maintenance Work of £697,440 (21%) and a decrease on Property Maintenance and Construction Work of £357,002 (2%).

A surplus of £931,630 was achieved during these nine months of trading compared to £653,372 for the nine months ended 31 December 2006. This surplus was better than anticipated and a result of improved financial performance on both land services and construction work.

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 has increased moderately from the previous financial year. External Cyclical Maintenance is currently targeted at completion on programme. 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.

<u>Description</u>	<u>Number (Estimated)</u>
Housing	
Responsive repair jobs including voids but excluding daytime emergencies	28,831
Emergency Repair Jobs including daytime emergencies	27,263
External Cyclical Maintenance on Properties	4,720
Non Housing	
Responsive Repair Jobs excluding daytime emergencies	4,250
Emergency Repair Jobs including daytime emergencies	3,860

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. It had demonstrated considerable successes both in Housing and Non-Housing Projects such as Unit T Claverhouse, delivered in partnership with the Social Work Department and NHS Tayside.

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

<u>Description</u>	<u>Number</u>	<u>Total Value</u>
		£
Major Contracts	43	7,693,659
Minor Contracts	76	1,301,702

6.4 **Land Services**

Land Services have been very busy in the first nine months, employed mainly on landscape maintenance works, with all works being completed in accordance with the annual grounds maintenance plan. Activity in Land Services is significantly ahead of the same period last year and more in line with activity for the same period in previous years.

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 nine new apprentices during August 2007. 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. Work is about to commence on the recruitment of apprentices for next financial year.

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.

The recently approved Departmental Service Plan 2007-2011 has been developed taking account of the strategic challenges facing the department along with the priorities set out in the Council Plan 2007-2011. The Plan establishes the following key objectives and identifies strategies for ensuring these are realised:

- Securing future workload;
- Modernising working practices;
- Improving the department's impact on the environment and reducing its carbon footprint; and
- Developing a culture of health and safety awareness and best practice.

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

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06 FEBRUARY 2008

DUNDEE CITY COUNCIL - FINANCE DEPARTMENT
CONTRACT SERVICES PERFORMANCE MONITORING REPORT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2007

<u>Description</u>	<u>Actual</u> <u>Nine months</u> <u>to 31/12/06</u> <u>£</u>	<u>Actual</u> <u>Nine months</u> <u>to 31/12/07</u> <u>£</u>	<u>Estimate</u> <u>Year</u> <u>2007/2008</u> <u>£</u>
<u>Property Maintenance and Construction Work</u>			
Income	15,604,286	15,247,284	20,520,536
Expenditure	<u>14,864,660</u>	<u>14,682,110</u>	<u>19,964,536</u>
Surplus/(Deficit)	<u>739,626</u>	<u>565,174</u>	<u>556,000</u>
<u>Land Services</u>			
Income	3,250,045	3,947,485	5,092,299
Expenditure	<u>3,336,299</u>	<u>3,581,029</u>	<u>4,809,299</u>
Surplus/(Deficit)	<u>(86,254)</u>	<u>366,456</u>	<u>283,000</u>
<u>Total</u>			
Income	18,854,331	19,194,769	25,612,835
Expenditure	<u>18,200,959</u>	<u>18,263,139</u>	<u>24,773,835</u>
Surplus/(Deficit)	<u>653,372</u>	<u>931,630</u>	<u>839,000</u>