

REPORT TO: DUNDEE CONTRACT SERVICES COMMITTEE – 14 NOVEMBER 2005

REPORT ON: DUNDEE CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

REPORT BY: JOINT REPORT BY DEPUTE CHIEF EXECUTIVE (FINANCE) AND DIRECTOR OF DUNDEE CONTRACT SERVICES

REPORT NO: 666-2005

1 PURPOSE OF REPORT

To appraise the Committee on the financial position and operational performance of Dundee Contract Services (DCS) for the six months ended 30 September 2005.

2 RECOMMENDATIONS

The Committee is asked to:

- a note the current financial position and operational performance of DCS;
- b notes the actions Dundee Contract Services management are taking in an effort to achieve the current financial year's budgeted surplus of £755,000;
- c notes that Dundee Contract services will achieve the statutory requirement of break even during the current financial year.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2005/2006 Revenue Budget included the sum of £755,000 in respect of Dundee Contract Services 2005/2006 surplus being credited to the General Fund.

As a result of the introduction of the Housing Repairs Partnership Agreement, which is on a 'cost plus' basis, surpluses generated from this service are now returned to the Housing Revenue Account. This work represents a significant proportion of DCS's turnover and has affected the department's ability to achieve previous levels of surpluses. Therefore, consideration may have to be given to reducing future year's budgeted Contributions to the General Fund.

The cash basis surplus at 30 September 2005, being the enclosed statement with appropriate adjustments, gives a projected annual cash basis surplus estimated to be in the region of £400,000 a shortfall of £355,000 against the budgeted sum of £755,000.

4 LOCAL AGENDA 21 IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 BACKGROUND

- 6.1 The Local Government in Scotland Act 2003 (the Act) repealed the Compulsory Competitive Tendering legislation of 1980 and 1988 and replaced it with a requirement for local authorities to maintain and publish accounts for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).
- 6.2 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 Dundee Contract Services and the presentation of a quarterly financial and operational report to Dundee Contract Services Committee is seen as a representation of the achievement of that value.
- 6.3 This monitoring report provides details to the Committee of the financial position and operational performance of Dundee Contract Services in regard to the requirement to meet the surplus set out in the City Council's approved 2005/2006 Revenue Budget and assists Councillors, as committee members, in undertaking their responsibility for the supervision and control of the department.
- 6.4 The department has two main operational activities, being:-
- Property Maintenance and Construction Work
Land Services

7 DCS FINANCIAL OPERATING STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

- 7.1 The financial operating statement for the six months to 30 September 2005 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 six months to 30 September 2005. The statement includes 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 basis surplus, which is returned to the Council's General Fund. The estimates detailed in the statement are the direct operational budgets of the activities listed.
- 7.2 The financial position (including capital charges) of the respective operational activities for the six months to 30 September 2005 can be summarised as follows:-

| | <u>Surplus/(Deficit)</u> <u>to 30 September 2005</u> £ |
|---|--|
| Property Maintenance and Construction Work | 138,137 |
| Land Services | <u>75,196</u> |
| Total Surpluses to 30 September 2005 | <u>213,333</u> |

- 7.3 The statement shows that the account is in surplus and, based on the six months results, the statutory requirement of break even should be exceeded for the third year of a three-year rolling period.

- 7.4 The actual figures and projected surplus contained within this report take account of the fact that the Housing Partnership Repairs Service is on a 'cost plus' basis and required to break even by the end of the financial year.

8 **DCS OPERATIONAL PERFORMANCE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005**

8.1 **Trading Results**

The actual turnover for the period, detailed in Appendix 1, is slightly higher than anticipated and has increased by £440,107 when compared with the corresponding period of last year. This is due to an increase in turnover on Ground Maintenance Work of £126,432 and Property Maintenance and Construction Work of £313,675.

A surplus of £213,333 was achieved during the first six months of trading compared to £534,893 for the six months ended 30 September 2004. This surplus was in line with expectations for the period.

DCS continues to monitor and evaluate performance through monthly meetings of its Business Planning Group. The department's has budgeted for £508,500 expenditure on vehicles, plant and equipment out of the 2005/2006 estimated surplus. A review of investment requirements is ongoing with a view to deferring purchases that will result in savings during the current financial year. In addition, the Director of Dundee Contract Services is targeting reductions in overhead expenditure which will generate savings of £250,000 per annum.

8.2 **Maintenance Work**

The programme of work during the period under review was sufficient to keep the permanent workforce full employed. Activity on External Cyclical Maintenance which is ahead of programme will slow down over the next few months and the workforce will transfer to construction work where the level of activity is expected to increase to compensate.

The Gas and Lift Maintenance service programmes are on target. In addition, during the period April to September 2005, the workforce completed the following day-to-day repairs and planned maintenance work:-

| <u>Description</u> | <u>Number (Estimated)</u> |
|--|---------------------------|
| Housing | |
| Responsive repair jobs including voids but excluding daytime emergencies | 18,710 |
| Emergency Repair Jobs including daytime emergencies | 16,036 |
| External Cyclical Maintenance on Properties | 3,250 |
| Non Housing | |
| Responsive Repair Jobs excluding daytime emergencies | 2,541 |
| Emergency Repair Jobs including daytime emergencies | 1,250 |
| Housing Co-operatives | |
| Responsive Repair Jobs excluding daytime emergencies | 812 |
| Emergency Repair Jobs including daytime emergencies | 280 |

8.3 **Construction Work**

The volumes of contract work undertaken during the review period were in line with the expected level of activity. The amount of construction work is expected to slightly increase over the next few months and as planned operatives from the External Cyclical Programme will transfer to construction work to allow the construction programmes to be maintained.

During the period April to the end of September the following contracts were either won in competition or awarded to DCS:-

| <u>Description</u> | <u>Number</u> | <u>Total Value</u> £ |
|--------------------|---------------|-------------------------|
| Major Contracts | 19 | 4,147,828 |
| Minor Contracts | 77 | 573,106 |

8.4 **Land Services**

The first six months have been very busy and difficult due to poor weather especially during the early summer months. Despite the weather, all cyclical work has been completed in accordance with the annual grounds maintenance plan. In addition, the department has been able to maintain the lifting and removal of grass cuttings generated from work undertaken on sheltered housing and for the elderly and disabled under the garden maintenance scheme throughout the grass cutting season.

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.

8.5 **Training**

DCS's commitment to construction industry training is reflected by the recruitment of a further 14 new apprentices during August 2005. This maintains DCS'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.

The department has been recently been reassessed for Investors in People accreditation and is delighted that the assessor has recommended ongoing accreditation for a further three years.

8.6 **Summary**

It is anticipated that the level of workforce will be sustained for the remainder of the financial year and that the department will achieve all the objectives set down in its Business Action Plan.

9 **BEST VALUE**

Management is currently reviewing all services within the Council to achieve "Best Value". This requires the DCS to prove that it can provide a competitive service that meets its customers' requirements. 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.

10 **CONSULTATION**

The Chief Executive and Depute Chief Executive (Support Services) have been consulted in the preparation of this report.

11 **BACKGROUND PAPERS**

Report to the Finance Committee on 12 January 2004, Report No 786-2003

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DEPUTE CHIEF EXECUTIVE (FINANCE)

ROBERT P JACKSON
DIRECTOR OF DUNDEE CONTRACT SERVICES

4 NOVEMBER 2005

DUNDEE CITY COUNCIL - FINANCE DEPARTMENT
DUNDEE CONTRACT SERVICES PERFORMANCE MONITORING REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

| <u>Description</u> | <u>Actual</u> <u>Six months</u> <u>to 30/09/04</u> <u>£</u> | <u>Actual</u> <u>Six months</u> <u>to 30/09/05</u> <u>£</u> | <u>Estimate</u> <u>Year</u> <u>2005/2006</u> <u>£</u> |
|--|--|--|--|
| <u>Property Maintenance and Construction Work</u> | | | |
| Income | 9,272,531 | 9,586,206 | 18,493,903 |
| Expenditure (incl Estimated Capital Charges) | <u>8,910,728</u> | <u>9,448,069</u> | <u>17,838,903</u> |
| Surplus/(Deficit) | <u>361,803</u> | <u>138,137</u> | <u>655,000</u> |
| <u>Land Services</u> | | | |
| Income | 2,577,280 | 2,703,712 | 5,765,542 |
| Expenditure (incl Estimated Capital Charges) | <u>2,404,190</u> | <u>2,628,516</u> | <u>5,665,542</u> |
| Surplus/(Deficit) | <u>173,090</u> | <u>75,196</u> | <u>100,000</u> |
| <u>Total</u> | | | |
| Income | 11,849,811 | 12,289,918 | 24,259,445 |
| Expenditure (incl Estimated Capital Charges) | <u>11,314,918</u> | <u>12,076,585</u> | <u>23,504,445</u> |
| Surplus/(Deficit) | <u>534,893</u> | <u>213,333</u> | <u>755,000</u> |