

## Appendix A

### Operational services division - Commercial work analysis (follow up to 5 Dec 2019 E&WB scrutiny meeting)

**Table 1: Summary of overall financial analysis**

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
Total revenue/ income from third party/non-council work	£160,033	£124,873	£94,830
Total job count	260	254	197
Average job value	£616	£492	£481
Direct expenditure	£139,692	£98,132	£59,167
<b>Total gross surplus</b>	<b>£20,341</b>	<b>£26,741</b>	<b>£35,663</b>
Total expenditure (including overheads)	£178,806	£125,609	£75,734
<b>Total net surplus</b>	<b>-£18,773</b>	<b>-£736</b>	<b>£19,096</b>
No. of jobs under £200	163	177	130
No. of jobs losing money	23	18	14
% of jobs under £200	63%	70%	66%

#### Overall analysis

- On a gross surplus basis, total income less direct expenditure costs, a surplus was made in every year
- On a net surplus basis, incorporating an overall overhead figure the surplus was reduced; initially making a deficit, but improving over the years to surplus of nearly £20,000.
- The number of jobs in 2019/20 is less because we stopped the activity before the year end, although the figures show there was a positive net surplus
- Each year the team improved at pricing up jobs as fewer jobs lost money year on year
- Consistently two thirds of the jobs are smaller jobs under £200, such as installing an electric cooker
- Table 2 shows an extract from the OSD ordering system and shows material items that are allocated to an example set of six jobs. This report was produced from the COINS contractor management system, where the materials are registered against each specific job, hence ensuring that material costs are allocated appropriately between non-housing and council housing jobs.

## Conclusions and recommendations

From the analysis of the finances and discussions around the activities the following conclusions can be drawn;

- Commercial Services did make a gross surplus out of the commercial activity across the three years and over that time became more proficient at understanding what to charge; albeit they did make a net surplus deficit in the 2017/18, when taking into account the standard overhead rate within the trading account.
- The overhead figure includes the indirect costs of the OSD service in supporting the delivery of the works
- There was a high proportion of jobs under £200, many of which are linked to work with Council tenants, which was completed at the same time as other jobs at the property, such as installing a cooker when the customer moved in.
- These small jobs are the sort of jobs that customers would normally rely on the Yellow Pages to get completed and it can be difficult to find good and reliable trades people to carry out small jobs,
- Larger complicated jobs like installing a new kitchen in a private dwelling have proven to be problematic both in pricing them up, delivering them cost effectively and understanding the customer service and quality needed.
- Material costs are being appropriately allocated and costed to third party works.
- As set out in the Dec 2019 report, if there is a desire to increase the surplus figure substantially, then significant additional staffing resources would be required
- Seeking to increase the surplus, with the aim of contributing further to benefit the councils overall budget position, would require significant additional resources and focus from the council; it does not seem an appropriate time, in terms of recovering from the impacts of the Covid19 pandemic to be recommending this as a way forward at this time
- There is a desire to review the Councils approach to commercialism from a broader perspective

The proposals from this further analysis are:

- to halt marketing the service to the general public for extensions, kitchens etc
- to concentrate on providing a service to tenants for work they need doing, as this will enable us to support Council tenants and in the long term enable us to ensure that the Councils assets are safely and properly maintained
- to concentrate any other work on non-council house properties where they are adjoining or neighbouring a council house and it is therefore more economic to deliver the work, and it again helps to maintain the value of the Councils overall asset
- to keep this area of service delivery under review, in line with the performance management arrangements for the other elements of the service, and in line with the review of the wider commercialism strategy for the Council