

REPORT OF THE DEPUTY DIRECTOR (COMMERCIAL SERVICES)
TO THE EXECUTIVE
7 July 2006

The Viability of the Direct Services Organisation

1.0 Introduction and Report Summary

- 1.1 This report relates to the Direct Services Organisation (DSO) performance and financial review and its viability as a Council service.
- 1.2 It also relates to Address Management which has been integrated into the DSO administration.
- 1.3 The Contact Officer for this report is Bill Farrar, Deputy Director (Commercial Services), Tel: 01235 540202 ext 356

2.0 Recommendation

The Executive is recommended to:

- 2.1 *Recognise the high performance of the DSO during the past 12 months and its continuing improvement.*
- 2.2 *Endorse the continuation of the DSO subject to its ongoing financial viability and achievement of its Business Plan.*

3.0 Relationship with the Council's Vision, Strategies and Policies

This report:

- 3.1 relates to the entire Vision Statement, in particular
- (a) creating a cleaner, greener, safer and healthier environment and
 - (b) the Medium Term Financial Plan
- 3.2 relates to the Best Value Performance Plan and Corporate Plan and
- 3.3 complies with the Corporate Timetable

4.0 Background and Supporting Information

- 4.0 As a part of the Council's Priorities and Medium Term Plan in 2005, members decided to allow time to evaluate the viability of the DSO. The service was placed under the control of the Assistant Director (Building Control) in order that a proper review could take place.
- 4.1 The DSO's work consisted of a wide range of useful services to the Council and external customers, eg.
- sewer treatment works, sewer blockages and emptying septic tanks
 - minor building works and repairs and maintenance of car parks and public conveniences
 - emergency call-outs, flood prevention, committee set-ups and internal office moves
- 4.2 Address Management, which is the generic term for the statutory duties relating to street and property naming and numbering, (as well as road closures), was also given to the AD (BC). In order to manage both aspects, Address Management was linked to the DSO which enabled them both to share admin resources with additional support from Building Control.

- 4.3 In October 2005, the AD (BC) submitted an interim report to the Executive and Directors, which provided optimistic early indications as to the future of the service.
- 4.4 In March 2006, the AD (BC) was appointed as the Deputy Director (Commercial Services) with a portfolio including DSO and Address Management.
- 4.5 Over the 12-month period, the Deputy Director worked closely with the DSO introducing significant improvements, such as:
- Increased income through generating more business and setting relevant operative rates
 - Prompt recharging and termination of DS recharging back to itself
 - Better financial control with simplified accounting and reporting systems
 - Reduced expenditure through better procurement and operational and admin efficiencies
 - A overall commercial approach
- 4.6 The DSO has risen well to the challenge and shows all the signs of being a strong successful business-like unit that has real potential to develop.
- 4.7 It provides excellent minor building and drainage services to various external bodies and generates substantial income. It also provides similar services to many Council departments and is always on hand to deal with emergencies.
- 4.8 The professional and committed attitude of the workforce adds confidence in this well-organised and efficient unit, which is a credit to the Council. The high demand for its services and the quantity of compliments illustrate the popularity of the section.
- 4.9 It should be noted that a large part of the DSO's success is due to the management skills of the DSO Team Leader and Technical Admin Officer. Both of these posts require redesignation and evaluation as soon as possible.
- 4.10 There is much on the reorganising agenda (e.g., vehicles, property, contracts, etc.) and given the time and support, if the DSO continues in its momentum, it should prove to be a worthwhile asset.

5.0 Future Actions and Timescales

- 5.1 The most significant issue is that of Finance. At the beginning of the year 2005-06 there was considerable concern with regard to the DSO costs to the Council. Because of the confused financial reporting it is unclear as to the actual original situation and accuracy of the income and expenditure budgets
- 5.2 The first analysis, after 6 months, suggested a deficit of £150k net of Address Management costs.
- 5.3 A reduction to £120k deficit was later identified with a further saving of £50k offered at the time of the Council Budget (predicting a £70k final deficit). The actual out-turn of £47k final deficit was beyond any expectation
- 5.4 It is important, however, to keep the overall situation in perspective. Although the target is to continue to reduce cost it should be noted that it may be difficult to maintain the same rate of improvement and some allowance must be made for unexpected contingencies, e.g. replacement vehicles, the state of the national economy, etc.
- 5.5 Assuming a steady plan of improvement is applied it is hoped that the deficit may reduce by 25% to £35k during 2006-07 and £20k in 2007-08. A 5-year Business Plan is being prepared in which there is a real expectation to financially break even in 2008-09

6.0 Considerations and Options

6.1 The DSO provides the community with a cost effective quality service which could enhance and support the Council through its e-working and procurement of contracts.

6.2 The scope for business development is demonstrated by the recent return of the Vale public conveniences cleaning contract - this addition to the DSO portfolio should produce an effective saving to the Council as well as providing more control and improved standards.

6.3 The DSO is continuing to explore with other Authorities ways of making services better and more cost effective through possible partnering and joint working.

6.4 Alternatives

The option of ceasing the DSO function would have two significant effects:

- i. **Council Work** (*eg. office moves, committee set-ups, minor works, etc*)
 - the Council would need to commission external services (ie. either private companies or other local authority direct services) to perform these task
 - there is a risk that these costs would be greater than that recharged by DSO and more difficult to acquire within short deadlines
- ii. **Community Work** (*ie. services purchased privately by householders and private businesses*)
 - there is no legal obligation for the Council to provide such services. However, an adverse perception may develop with the public especially as many customers have relied on these services for many years.
 - as much of the DSO work is not financially worthwhile to private contractors this could result in reductions in local standards, which, in turn, may damage the amenities of the Vale

6.5 Appendix A

This report is obviously a concise summary of the DSO situation. Appendix A provides a more detailed account of the DSO work and its finances over the past 2 years.

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