

Vale of White Horse District Council

APPENDIX A

A Report on the Performance and Prospects of the Direct Service Organisation

1 June 2006

Introduction

The Vale has for many years operated its works unit called the Direct Service Organisation (DSO). Following the Council's Priorities and Medium Term Plan in 2005, members decided to allow time for a review of the viability of the service.

On 1 April 2005, the DSO, (previously with Technical Services), joined Building Control under the management of the then Assistant Director (Building Control) with an objective to assess and improve the workings and finances of the service. The Executive required a full report at the end of the first year preceded by an "early indications" report after 6 months.

Having analysed the DSO finances and its performances over a 12-month period this report is intended to provide a reliable assessment of its likely viability for the future.

Background

The DSO's work consisted of a range of useful building- and drainage-related services to the Council, SODC and various parish Councils, other organisations and local residents:

- Sewer treatment works and pumping stations - repairs & maintenance
- Sewer blockages clearances
- Septic tanks and cesspools emptying
- Car parks - repairs & maintenance
- Public conveniences - repairs & maintenance
- Emergency call-outs
- Flood prevention and recovery
- CCTV drainage surveys
- Minor building and civil engineering work
- Street naming and house numbering and road closures
- Committee venues set-ups
- Office moves

Improvements and Actions

As in any successful business it was essential first to:

- determine whether there was a demand for the services on offer
- decide on the standard or quality of the service
- ensure the resources were available, and
- ensure the financial situation was sound and robust

In March 2006, as a part of the Senior Management Restructuring, the AD (Building Control) was appointed to the new post of Deputy Director (Commercial Services), and the DSO was confirmed as a part of that Service Area.

During the 12-month period, the Deputy Director having worked closely with the DSO, with support from Building Control, has introduced some significant improvements:

1. Rate Changes

- Operative rates were increased by approx. 30% to more realistic and competitive levels.
- Final invoices for jobs without fixed prices are now based on actual costs.

2. Recharging Scheme

- The unusual and convoluted practice of recharging DSO costs back to itself was terminated.
- Priority has been given to promptly recharging internal and external customers.
- Invoices for SODC “Housing Act Works” jobs are now issued to SODC rather than to their householders.

3. Financial Control

- Financial control has been improved with simplified accounting.
- A closer working relationship is being developed with Financial Services (e.g. debt recovery).
- A commercial approach was introduced with respect to job estimating.

4. Business Issues

- A business enterprise approach has been introduced generally
- Admin processes and customer approach have been improved.
- Staff are now consulted and involved in most aspects of the business.
- The “Housing Act Works” contract was further extended by SODC *“for the foreseeable future”*.
- “Preferred Contractor” status has been achieved with several parish Council clients

General Observations

1. Address Management

Street and property naming and numbering, as well as road closures, are statutory duties, which are delivered, to a high standard by DSO admin. Future recovery of costs is proposed by introducing Charges as per Service Prioritisation Plan no.24 approved in the 2006 Council Budget.

2. Sewer Treatment Works and Pumping Stations

This service deals with the repair and maintenance of units which serve houses in the Vale and SODC that are either privately owned, belonging to Housing Associations or subject to Housing Act agreements. It provides substantial revenue that is expected to continue to produce a working surplus.

3. Emptying Septic Tanks

This is a competitive service to mainly private householders in the Vale and SODC. The Vale acquired SODC sewage related work when that Council ceased providing such services 6 years ago. This arrangement works well producing a current financial surplus with real potential for developing the business further on an established client base.

4. Car Park Maintenance

This is a successful partnership with the Car Parks service where the work carried out is by staff

dedicated to these premises. Car parks satisfy a social need in a cost effective way. Therefore, the DSO not only meets the specification of its internal partner, by ensuring the premises are kept safe and clean for the public who use them, but it also recharges at a competitive rate.

5. Clearance of Sewer Blockages

This work attracts customers including Housing Associations, public bodies, private companies and private householders. Sewer problems must be resolved quickly to avoid public health problems. This priority can inhibit the production of a surplus for each job. The current Charges are under review and will be re-set to ensure economic viability within an aggressively competitive private sector market.

6. Contract and Minor Works

The DSO completes many jobs for domestic and commercial external customers. There is potential for growth and surplus generation. The Council also benefits from the control and flexibility it has through having its own work performed by its in-house unit. It is able to complete tasks to a high standard and on time. A significant amount of work is also commissioned by various Council services.

For example

- flood prevention
- office moves
- property alterations
- committee room set-ups
- emergencies, etc.

The DSO contributes to the Council Objectives with respect to:

- creating a cleaner, greener, safer and healthier environment
- the Medium Term Financial Plan

Specific Observations

1. The DSO has clearly risen well to the challenge posed over the past 12 months and shows all the signs of a strong business for the future.
2. It is currently preparing a 5-year Business Plan to achieve Break Even (ie. for income to cover direct costs, excluding internal recharges) by the end of 2008-09 or before.
3. The DSO should prove to be a direct service group that could support the Council and enhance its reputation.
4. Whilst charges will be set at competitive rates in order to achieve success and market share the additional benefit to the Council will be to provide its community with a cost effective quality service.
5. Charges have already been increased for 2006 in order to come into line with “going business rates”.
6. Purchase cards, e-payments, e-communication and procurement of new contracts, (such as cleaning of Public Conveniences), should continue to improve the quality of service and viability
7. The progress made in the last year with no loss in momentum suggests an optimistic future

The Financial Aspect and Final Out-turn

The Deputy Director found the management and methodology of DSO finances complicated and confused. Although it became obvious that there was a need to reduce the 19 cost centres it was agreed to leave this change until the DSO future was confirmed. A number of simple issues were addressed, e.g.:

- Income has increased by generating more business and increasing charging rates
- Expenditure has reduced through better procurement and operational and admin efficiencies

- Accounting and reporting systems are simplified
- Appendix A shows the comparison between 2004-05 and 2005-06 cost centres and accounts (excluding Support Services Recharges and Depreciation) which is summarised below:

2004-05	2005-06	Improvement	
£168k deficit	£77k deficit	£97k	<i>Including Address Management</i>
£140k deficit	£47k deficit	£94k	<i>Excluding Address Management</i>

- Appendix B refers to the DSO Accounts for 2005-06

After 6 months the expected final net deficit was expected to be in the region of £150k. After 9 months the indication was that of a further reduction to a £120k deficit.

Although a saving of £50k was offered to the Council budget at that stage the final actual net deficit of £47k was beyond any expectation.

It is important, however, to keep the overall situation in perspective. Although the target is to continue the reduction in cost it should be noted that it will be difficult to maintain the same rate of improvement. Some allowance must be made for unexpected contingencies, e.g. replacement vehicles, the state of the national economy.

Assuming a steady plan of improvement is applied it is hoped that the deficit may reduce by 25% to £35k during 2006-07; £20k in 2007-08 and breaking even in 2008-09.

Future Developments

There is scope for further development, for example:

1. Cleaning Contract for Vale Public Conveniences

The DSO is reversing the trend of externalising local authority services by taking back, as from 6 June 2006, the cleaning contract of the Vale's public conveniences. This addition to the DSO portfolio should produce an effective saving and provide the Council with more control and improved standards.

2. Partnering and Joint-working

The DSO is continuing to explore, with other Authorities, ways of making services better and more cost effective. There are areas of common interest with SODC, Oxford City, WODC and Swindon BC.

3. Housing Associations

The DSO will continue to develop its relationships with bodies within and outside of the Vale.

Conclusions and Summary

- After a full year it would appear that the DSO has all the signs of being a successful business-like unit that has real potential to develop.
- It provides excellent minor building and drainage services to the various external bodies generating substantial income. It also provides similar services to many Council departments and is always on hand to deal with emergencies.
- The professional and committed attitude of the workforce also gives further confidence that the unit is

well organised and efficient and a credit to the Council.

- ° The high market share and quantity of compliments, both internally and externally, illustrate the popularity of the section.
- ° 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.
- ° 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 present momentum, it should prove to be a worthwhile asset.
- ° 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.

The greatest achievement is the massive net financial saving compared with the previous year.

The original hope was to

- (a) simply reduce the overall cost to the Council
- (b) contribute towards the Council Priorities in the MTFP and
- (c) determine whether the DSO was a "viable" service and worth keeping.

Recommendations

The Executive is recommended to:

1. Recognise the high performance of the DSO during the past 12 months and its continuing improvement
2. Endorse the continuing provision of the DSO subject to its ongoing financial viability and achievement of its Business Plan