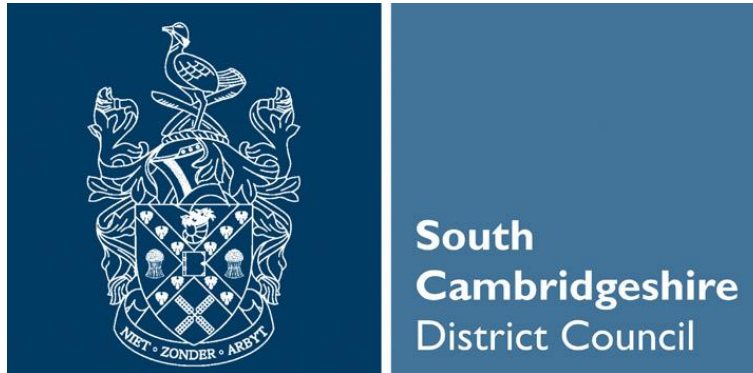


January 2007



Direct Labour Organisation

A Working Business Plan

2007 - 2012

1. Introduction - A *clear sense of direction* for the DLO

South Cambridgeshire District Council's Direct Labour Organisation (DLO) provides a range of repair and maintenance services for the Council. It's core activity being the provision of a responsive repairs service currently for two of the three areas that make up the district. The DLO also carries out planned and cyclical maintenance, and grounds maintenance works.

The DLO has a well-trained and dedicated workforce working from a fully serviced depot in Waterbeach near Cambridge. It prides itself on the delivery of a high quality service with high levels of client and customer satisfaction. The team has built up a solid reputation over many years and has a vast amount of experience contained within the workforce enhanced by a low turnover rate of staff.

In December 2005, the Council agreed to retain the in-house DLO on the proviso that the service was rationalised. A proposed 22-point action plan was implemented, overseen by a core group of stakeholders, and a new Repairs Operations Manager started in April 2006. I joined the management team in June 2006 as the new Property Services Manager.

Since June 2006 the financial position of the DLO has continued to strengthen, with most of the 22 action points contained within the action plan being either completed or superseded. The new management team has been busy monitoring and managing the operational activities to ensure the service remains on track both financially and operationally.

This *Working* Business Plan should be seen as the natural progression of the recovery process that started in early 2006, it encapsulates the aspirations arising out of the core group stakeholder meetings together with the pragmatic business objectives of the new management team. It identifies the key factors needed for successful service delivery, and sets out the strategic direction and operational goals of the service for the next five years to ensure a sustainable future for the DLO.

Brent O'Halloran

Property Services Manager

January 2007

2. Executive Summary

The DLO has gone through a difficult period in recent years; making an overall operating loss for the last three consecutive financial years and undergoing several management changes. External Consultants - Echelon were employed to look at the future viability of the DLO and, after consultation, devised a recovery plan to improve the effectiveness and potential of the service.

A Core group made up of stakeholders oversaw the recovery process. Most of the recovery plan has now been implemented, and a new DLO management team put in place to take over from Echelon.

The new management team has reviewed Echelon's draft Business Plan and devised its own *Working* Business Plan to provide a clear purpose and direction of travel for the service. It is based initially on the consolidation and strengthening of its core market activity, and then the development of a structured market penetration strategy.

Recent improvements include the introduction of hand-held computers for the allocation and monitoring of repairs, new and revised key performance indicators to measure the quality of the service, and improving the operatives' skill base.

The current priority is to build some business confidence back into the DLO; this will be greatly assisted if the service is able to break-even or make a small surplus at the end of the financial year 2006/7. The next step is to successfully tender for more packaged works from the Council in the short to medium term, and gear up for the re-tendering of the Responsive and Void Repairs contract in 2008. The long-term strategy is to expand into new markets working for other Registered Social Landlords and Clients.

The setting up of the DLO Services Strategic Management Board to oversee this process is key to ensuring the service stays focussed on its strategic objectives.

3. Background

In January 2006 Cabinet approved a report recommending that the Council retain its DLO with a focus on building the business base, improving the level of service, and becoming a more cost effective. A 22-point Action Plan was devised with a core group of key stakeholders to oversee the recovery process.

Most of the Action Plan points have now been completed, and the DLO is currently profiled to make a modest surplus this financial year.

In June 2006 a draft 5-year Business Plan for the DLO Repairs Service was produced and presented to the core group by Echelon as part of the final stages of the recovery plan.

4. Recent Developments

Echelon completed their work on this project in June 2006 and it has now fallen back to the Council to take full management responsibility for the recovery and future viability of the DLO. Sid Webb took up the position of Repairs Operations Manager in April 2006 – with the management of the DLO as the prime focus of his responsibilities, and Brent O'Halloran took up the position of Property Services Manager in June 2006 with the remit of managing both the Client and the DLO interests.

The two top priorities for new management team were: to review the aspirations contained within Echelon's *Draft* Business Plan, and to form them into a practical and achievable *Working* Business plan, and; the setting up of a DLO Services Strategic Management Board to oversee and monitor the progress of the service.

5. The Current financial position of the DLO

The immediate focus for the DLO this financial year is to strengthen its financial position to ensure it achieves a break-even or surplus-making position - whilst maintaining a high level of customer service and providing good value for money.

In order to achieve this, the DLO is focussing its attention on consolidating its position within the Council by ensuring it provides an effective and efficient service. The emphasis being to ensure the core service function is right, before considering any venture into other markets or diversification.

For 2006/7 the current income projections for DLO Services as at 5 December 2006 is £2,162,700 - made up as follows:

Income

Response Repairs Contract	£595,300
Change of Tenancies	£675,800
Asbestos	£300,000
Disabled Adaptations	£250,000
Refurbishments	£250,000
Miscellaneous	£91,600
Other Planned Repairs	0
On-Costs Sub-Contractors Work	0

The current trading position projection suggests that the DLO will make a modest surplus in 2006/7. This projection needs to be treated with caution as it is based solely on the first eight month's of this financial year's trading figures - the new management team is tasked with closely monitor this activity.

DLO Trading Position 2006/7 as at 24 November 2006

	Revised Annual Budget	Expenditure To Date	Period Over/ (Under) Spend	Projected Over/ (Under) Spend	Previous Projected Over/ (Under) Spend
	£	£	£	£	£
Employees	682,770	449,093	(4,999)	3,500	3,500
Sub-Contractors/Direct Materials	905,350	770,459	242,547	300,000	186,300
Transport Related Expenses	200,030	190,079	8,260	9,000	5,000
Supplies & Services	43,160	40,308	5,268	21,000	21,000
Central Departmental & Support Services	351,390	0	0	(7,800)	(0)
TOTAL EXPENDITURE	2,182,700	1,449,939	251,075	325,700	215,800
TOTAL INCOME	(2,162,700)	(1,506,562)	(245,498)	(379,200)	(259,600)
DLO Net Position	20,000	(56,623)	5,577	(53,500)	(43,800)

6. Allocation of works 2006/7

Members agreed to the DLO receiving an allocation of packaged works for 2006/7 as part of the recovery plan process. Part of the package included £250,000 worth of Kitchen and Bathroom refurbishment works. The DLO is currently nearing completion this programme of works, a cost comparison analysis (see below) has confirmed that its prices are competitive when compared to other refurbishment contractors currently employed by the Council.

Cost Comparisons

Kitchen Refurbishments carried out for the Council by two external refurbishment contractors compared to the DLO from April 2004 to December 2006.

External contractors - 28 Refurbished Kitchens – Total cost £150,618.92 – Average cost per Kitchen £5,379.25 ea.

DLO - 28 Refurbished Kitchens – Total cost £136,402.28 – Average cost per Kitchen £4,871.51 ea.

7. Evolving the workforce skills-base

The DLO is currently made up of 27 operative posts:

2 Surveyors
11 Multi-skilled
11 General Trades
2 Labourers
1 Storekeeper

The move to multi-skilled operatives will continue in order to support and increase the potential for single visit completions. As vacancies arise, the recruitment strategy will be to fill these vacancies with multi-skilled staff as far as possible. (Multi-skilled has been defined by the DLO as operatives that have a lead trade and are proficient in at least one other trade).

In parallel the skills of our own workforce will be developed so that employees are encouraged to progress from general trades to multi skilled or from labourer to general trades should they wish to do so. Within the last year two operatives have been re-graded from general trades to multi skilled and a further two operatives have been re-graded from labourer to general trades.

A training plan is agreed at the end of the annual appraisal process setting out each individual's training requirements. This will be reviewed and amended annually to ensure our workforce remains well trained.

The number of operatives employed will be monitored and adjusted to take account of workload – naturally should the DLO be successful in obtaining additional works it will need to gear up to meet these demands.

8. The current challenge

The immediate focus for the service 2006/7 is as follows:

- a. To financially to break-even or make a surplus.
- b. To deliver the allocated planned maintenance works within budget, to an acceptable standard, and in a timely manner.

- c. To ensure the performance and customer service levels are maintained or improved, achieving acceptable standards as monitored and measured through the Performance Indicators.
- d. To position the service so that it is able to gear up to compete for future maintenance, refurbishment and Decent Homes works from the Council.
- e. To streamline the service - introduce Hand-Held technology to the workforce and monitor its effectiveness.
- f. To consider the options and evaluate the potential effectiveness of externalising the stores function and procuring a single supplier for materials and goods.

9. What's in a Name?

This *Working* Business Plan sets out the DLO's aim to develop over the next few years into an efficient and effective business unit, with a positive market strategy. To facilitate this change requires a change in perception, both internally by its own staff through changing the organisation's business ethos; and externally by its customers through changes to the organisation's image. To this end it is proposed that the DLO is renamed to reflect this new image.

It is hoped that a new name will help redefine the service and provide for a more distinct identity.

10. Key Performance Indicators

From a customer's perspective what really matters to them about a repair is that it is done properly and timely. With this in mind the current basket of Local Performance Indicators has been amended, and it is proposed that these revised indicators will be used for monitoring performance by drilling down to area level (East, South and West). The Repairs satisfaction questionnaire will be amended accordingly.

11. The Local Performance Indicators will be (existing):

- a. SH 302 - The % tenant's satisfaction with work completed on response repairs
- b. SH 327 - The % of repairs by appointment
- c. SH 328 – The % of tenants satisfied with refurbishment

And the newly introduced...

- d. **The % of *Routine* repairs completed within 23 working days.**
- e. **The % of *Urgent* repairs completed within 5 working days.**

- f. **The % of *Emergency* repairs attended within 24 hours**
- g. **The average time to complete all responsive repairs**
- h. **The Housing Repairs Performance Rating.** From 1 (poor) to 10 (excellent).

Other repairs related KPIs as required by Department of Communities and Local Government (DCLG) or the Audit Commission will still require monitoring and data collection as necessary. Including BV212 – Average days to re-let council houses.

12. Strategic Direction of Travel for the DLO

The strategic direction will be the specific responsibility of the DLO Strategic Management Board; initially, to ensure the DLO consolidates its current position by concentrating on successfully delivering on its core activity of housing maintenance, then to develop the service to be in a position to successfully bid for and obtain more work from the Council, other Housing organisations, and if appropriate, the private sector.

13. The Council's Future Capital Programme

Current financial forecasts suggest that the current level of annual expenditure on programmed and cyclical maintenance is unsustainable over the medium to long term. There will be a pressure on the Council to substantially reduce its capital maintenance and improvements programmes from 2010 onwards in order to stay within its projected budgetary constraints.

Unless there is a significant change in the Council's funding arrangements, the opportunity for the DLO to win additional work from the Council will diminish in two year's time. Naturally, this would suppress its recovery unless the DLO actively seek alternative revenue opportunities through new markets or diversification.

14. Property Service's Procurement Strategy

The Council's Property Services team is currently reviewing its housing maintenance plan with the focus on ensuring that all of the Council's domestic properties meet the Decent Homes Standard as set out by DCLG by 31 December 2010. There will also be a need to develop elemental improvement programmes such as kitchen and bathroom refurbishments, these will all be tendered in due course.

It is currently envisaged that the DLO will be invited to submit expressions of interest in tendering for this and other programmes of work as appropriate. Although it must be emphasised that the works will be competitively tendered on a level playing field with the DLO being evaluated against any other tenderer. This will ensure the Council obtains best value for its tenants.

15. Works Allocation for DLO 2007/8

Whilst the DLO is showing clear signs of recovery, it is still undergoing a transitional stage of improvement, and needs to build a more stable business footing before it can become proactive in the open market. In light of this it is proposed that the DLO is allocated further works (over and above those already awarded in the competitively tendered Responsive and Voids works) from the 2007/8 housing maintenance programme as follows:

Property Surveys (Condition, Asbestos, Energy) - £200,000
Asbestos removal – £100,000
Kitchen and Bathroom refurbishments – £450,000
Disabled Adaptations - £250,000
Paths and fences – £40,000

It is envisaged that 2007/8 will be the last year that works are automatically allocated to the DLO, as the new procurement strategy will ensure all works are competitively tendered in future years

The works will be allocated to the DLO on the proviso that it remains in the Council's best interest to do so. Should subsequent tenders prove more economically advantageous then works will be allocated accordingly.

16. Short - Medium Term Strategy up to 2010

To increase its share of the work it receives from the Council by being included on the Council's tender lists, and successfully bidding for additional refurbishment works.

The service will also need to become more efficient in order to be able to gear up for tendering for the Responsive Repairs and Voids contract when it comes up for renewal in October 2008 (or 2009 if extended).

To develop a market penetration strategy linked to the key service goals contained within the Service Plan – in order to be included on tender lists.

17. Long Term Strategy from 2010 onwards

Provided the Short and Medium term strategic objectives are successfully achieved, the service has consolidated its position at the Council, and is regularly making a surplus; its long-term objective will be to build and expand on this position. The service will actively seek inclusion on client's tender list (possibly

via constructionline membership) for other responsive repair and refurbishment contracts within the district e.g. for other Housing Organisations, and then for contracts beyond South Cambridgeshire.

Consideration to be given to diversification into the private sector market – Disabled Facilities Grant work, and a chargeable maintenance and refurbishment service for tenants, and owner-occupiers.

18. The Operational Goals for the DLO

Achievement of the operational goals will be the specific responsibility of the DLO management team. These are broken down into short-medium and long-term objectives.

19. 2007/8 – 2009/10 – Short-Medium term goals for the service are:

- a. Successfully tender for the Council's Responsive Repairs and Voids contract when it comes up for renewal.
- b. Increase resident involvement in shaping the service – e.g. Wider Tenant Board membership, Contract monitoring meetings.
- c. Develop an appointment system (appointment offered at the point that the repair is requested) for urgent and routine repairs.
- d. Development of a multi-skilled and more flexible workforce
- e. Redesign the repairs service - develop 'Right First Time' Approach

20. 2010 onwards – Long term goals for the service are:

- a. Successfully tender for other maintenance and refurbish contracts within the district.
- b. Successfully tender for other maintenance and refurbishment contracts in neighbouring districts.
- c. Consider the development of a private sector arm to the business.

21. The DLO Services Strategic Management Board

The setting up and implementation of a Strategic Management Board (SMB) is key to ensuring that the momentum for improvement continues. It should be seen as a

natural successor to the Stakeholder Core Group that was brought together to oversee the initial recovery process. The full terms of reference of the SMB is yet to be developed, but it is proposed that the Board meets quarterly at Waterbeach and is made up of Council employees, Members and Tenants. It will have the specific remit of overseeing the strategic direction, operational management, and service performance of the DLO.

At the inaugural meeting in October 2006 the following representatives attended:

Cllr Deborah Roberts – Housing Portfolio Holder
Brent O'Halloran – Property Services Manager
Sid Webb – Repairs Operations Manager
Pauline Gardner - Housing Services Manager
Andy Booth – Tenant representative

22. Risk analysis

As previously discussed, the Council's current financial forecasts suggest that the level of annual expenditure on programmed and cyclical maintenance is likely to reduce significantly from 2010 onwards.

There is therefore a real possibility that the opportunity for the DLO to win additional capital works from the Council will diminish in two year's time. It is important that the DLO actively seeks alternative revenue opportunities through new markets and diversification to help offset this effect.

As it is the intention of the Property Services Team to market test all planned maintenance works and the Responsive and Voids Repair contract in due course, there is a risk that the DLO will be unsuccessful in its bids. It is vitally important that the DLO ensures it is efficient and effective in order to be competitive.

23. Service Planning and monitoring

A more detailed analysis of the DLO's key milestones will be drafted together with SMART objectives for inclusion in the 2007/8 Housing Service plan. The role of the SMB will be to monitor performance and ensure these objectives are met. The Working Business Plan itself will be updated annually.