

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 11 January 2006
AUTHORS: Executive Director / Property Services Manager

DIRECT LABOUR ORGANISATION – A *WORKING* BUSINESS PLAN 2006-2011

Purpose

1. To note the content of the Direct Labour Organisation (DLO) - *Working* Business Plan (attached as an appendix to this report) and approve the short - medium and long-term strategies, and proposals contained within.

Executive Summary

2. Last year external consultants - Echelon were employed to look at the future viability of the DLO and, in consultation with members, devised a recovery plan to improve the effectiveness and potential of the service.
3. A Core group made up of stakeholders oversaw the recovery process. Most of the recovery plan has been implemented, and a new DLO management team is now in place.
4. The new management team has reviewed Echelon's draft Business Plan and devised a *Working* Business Plan to provide a clear purpose and direction of travel for the service based initially on the consolidation and strengthening of its core market activity and then a structured market penetration strategy.
5. 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.
6. The short-term strategy is to break-even or make a small surplus at the end of this financial year, then to successfully tender for more packaged works from the Council in the 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.
7. The setting up of the DLO Strategic Management Board to oversee this process is seen as key to ensuring the service stays focussed on its strategic objectives.

Background

8. 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 more cost effective. A 22-point Action Plan was devised by Echelon with a core group of key stakeholders set up to oversee the recovery process.
9. Most of the Action Plan points have now been completed or progressed, and the DLO is currently profiled to make a modest surplus this financial year.
10. During the recovery process Echelon produced a Draft Performance Handbook for the core group's consideration, this become the driver for reviewing and amending

the current basket of key performance indicators currently used by the Council to measure the repairs service.

11. 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. This has now been revised and transformed into the Working Business Plan

Considerations

12. Member's attention should be drawn to the content of the Working Business Plan itself, and consideration given specifically to the short, medium, and long-term strategies and goals.
13. The Working Business Plan also refers to the amendment and introduction of new Key Performance Indicators (KPIs); the continuation of the move towards multi-trade operatives; the proposal to change the name of the DLO; and the setting up of the Strategic Management Board.
14. Last year, in addition to the Responsive and Void Repair works normally carried out by the DLO, members approved the allocation of a package of programmed works for 2006/7 to the value of £840,000 - in order to aid the DLO recovery process. This has proven key in improving the viability of the service and it is proposed that members approve the allocation of additional works again for 2007/8 to ensure the DLO has a sound business base from which it can develop.
15. The DLO is nearing the successful completion of its allocation of Kitchen and Bathroom refurbishments for 2006/7, with the work being done to a good standard and at competitive rates. A recent cost comparison exercise carried out on Kitchen refurbishment works since April 2004 revealed that the average price charged by the DLO of £4,871.25 compares favourably to an average of £5,379.25 charged by our external contractors. It is proposed that Members approve an additional allocation of £200,000 of currently unallocated Kitchen and Bathroom refurbishment works to the DLO in the current financial year. This will not only aid the continuing recovery process but will also help the Council in completing the 2006/7-refurbishment programme.
16. As for next year's programme (2007/8); the following allocations are proposed (on the proviso that rates are and remain competitive) –

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

Total – £1,040,000

17. It is envisaged that from 2008/9 onwards, all works will be subject to competitive tendering with the DLO being given the opportunity to competitively tender for future Council planned maintenance and improvement contracts as appropriate.

Options

18. Last year Members agreed to support the DLO through the recovery process. The DLO is now in a much healthier condition both financially and operationally. It is on

profile to finish this financial year without an operating deficit, and it has a new management team at the helm committed to improving and growing the service.

19. The DLO *Working Business Plan* provides the service with a solid, achievable strategic overview and a clear sense of direction. It should be seen as a roadmap to move the service from recovery to a proactive market player with the capability of regularly returning a financial surplus to the Council.
20. Members are asked for their continuing support of the recovery process, in order to ensure the DLO is able to develop its business base. Adoption of the proposals contained within this report and the *Working Business plan* will ensure progress remains on track.

Implications

21. The implications of the DLO not succeeding and continuing to make a trading deficit may well cause financial and adverse publicity difficulties for the Council. The viability of the DLO would again be called into question with all the related financial, staffing, and governance issues.

22.	Financial	There are financial implications should the DLO continue to make a trading deficit, however, if the DLO makes a surplus, this money can be ploughed back in to improving the Council's housing service. The proposed allocations of works are contained within existing and proposed budgets.
	Legal	The Local Government Act 1999 repealed the C.C.T. regime but replaced it with the best value concept. As a follow on from the precedent established at Cabinet last year; the proposed allocations to the DLO are considered to represent best value to the Council and therefore meets with the statutory concept of the Act
	Staffing	There may be potential to gear up staffing levels should the DLO successfully tender for additional work.
	Risk Management	No specific issues
	Equal Opportunities	No specific issues

Consultations

23. The DLO Management team gave a presentation on 20 October 2006 to all DLO staff and operatives based at the Waterbeach Depot, giving an overview of the proposals contained within the DLO *Working Business Plan*.
24. A presentation and report outlining the proposals was also given by the DLO Management team at the first meeting of the DLO Strategic Management Board meeting held at Waterbeach on 20 October 2006.
25. A report outlining the proposals contained within the DLO *Working Business Plan* was also submitted and approved at the Housing Portfolio Holder's Meeting held on 8 November 2006.

Effect on Annual Priorities and Corporate Objectives

26. Affordable Homes	An effective DLO will help ensure affordable council housing is maintained in good condition
Customer Service	Providing excellent customer service underpins the proposals contained within this report
Northstowe and other growth areas	Not applicable
Quality, Accessible Services	Improving the DLO service will help improve quality and make the service more accessible
Village Life	Improving and supporting village life through an efficient DLO service is a key outcome
Sustainability	The use of local trades persons and local suppliers helps to build sustainable communities
Partnership	The Client/DLO relationship could be considered the ultimate partnership arrangement

Recommendations

27. Cabinet is requested to:

- (a) note and comment upon the DLO Working Business Plan, and
- (b) allocate additional Kitchen and Bathroom refurbishment work to the DLO, to the value of up to £200,000 within the current financial year.

Background Papers: the following background papers were used in the preparation of this report: The DLO *Working* Business Plan

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