

## Appendix 2 - Executive Summary

This document sets out the ODS Business Plan for the next four years. ODS has been established to return value to our Shareholder in two ways:

- through delivering efficient, value for money public services;
- Generate long term sustainable growth in income through external trading.

ODS is comprised of two wholly owned Local Authority Trading Companies delivering commercial services for the Council and externally such as building services, highways & engineering, commercial waste, Large Goods Vehicle and MOT testing, vehicle repairs, landscaping, grounds maintenance and pest control.

This document sets out the plans for the two companies forming ODS. These are intrinsically linked as it is only through the provision of efficient value for money services that ODS is an established brand and successfully trading, building on its previous incarnation of service delivery from within the umbrella of the Council.

External growth is a key theme and we have identified four areas which show the most potential from our current core business. An analysis of the Oxfordshire market, our position in it, our services and our past performance in these service lines give confidence in the potential for further success - building on our strategy of organic growth and leveraging existing relationships - but also through developing new business.

Success will be measured across a balanced scorecard of financial performance & business growth, operational performance and culture.

From a financial perspective under existing arrangements ODS expects to return profit before tax in the order of £1 million per annum, giving a return on spend of approximately 2% or £1.7 million to £1.5 million before tax as indicated below, in addition to numerous other benefits outlined in this Plan:

<b>Profit</b>				
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Turnover	54,641	55,142	55,440	55,590
Teckal Company	425	543	628	768
Trading	953	1,004	1,043	1,083
Profit before tax	<b>1,378</b>	<b>1,547</b>	<b>1,671</b>	<b>1,851</b>
Corporation Tax	(262)	(263)	(284)	(315)
Profit after tax	<b>1,116</b>	<b>1,284</b>	<b>1,387</b>	<b>1,536</b>

<b>Percentage return</b>				
Profit before tax %	2.52%	2.81%	3.01%	3.33%
Profit after tax %	2.04%	2.33%	2.50%	2.76%

Within the above figures there are:

- Previous assumptions around income growth generating an extra ongoing £235k per annum in accordance with Councils Medium Term Financial Plan
- additional costs for Non Exec Directors, Tax advice, charges for interest on loans and audit fees and corporation tax of around £285k per annum. If the Council is to be no worse off then these costs will need to be offset by increased income or reduced cost which will be reflected in the business plan.
- additional benefit which the Company have committed to deliver to the Council in increased revenue or reduced cost commencing in 2019-20

*This table is for illustration only and will be subject to the tax planning and dividend decisions by the Board of the companies*

The overall changes for the LATCO are shown as follows:

<b>Additional income/ economies generated by LATCO</b>				
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Previous assumptions around income growth in MTFP	160	210	235	235
Additional income/economies to cover additional costs	285	279	279	274
Additional benefit (income/economies)	0	200	350	500
<b>Total</b>	<b>445</b>	<b>689</b>	<b>864</b>	<b>1,009</b>

2018/19 will be a transition year, moving the Council's Direct Services Department into Oxford Direct Services – the company. Given the need to establish the operations in that context, the growth aim will be only that which is already committed to in the Council Medium Term Financial Plan together with the additional income and efficiencies to cover the increased ongoing costs of running a company.

From 2019 onwards, increased returns will be achieved by a combination of delivering services more efficiently and winning new business. ODS has long-term aspirations for growth and to develop income streams by taking its offering further into the market, and wider geographic area. Fundamental to this is the need to continue to work closely with Oxford City Council to maximize the opportunities for ODS to undertake relevant works, ensuring excellent programming and driving efficiency in the delivery of Council work to

free capacity with which to trade.

In addition to the return following more cost effective services and increased income the Company will:

- pay the Council for support services plus a premium to assist it in driving its business
- reimburse the Council for the costs of purchasing vehicles, based on an annual leasing charge
- pay commercial rent for the occupation of the depots at Horspath Road and Cowley Marsh
- Manage car parking and domestic waste operations (garden waste & recycling credits) on behalf of the Council which deliver approximately £8.5 million income per annum
- Pay the Council a commercial rate of interest for loans

Taken together the total return to the shareholder through these arrangements are in the order of £5 million plus per annum, in addition to the income from car parking and domestic waste

From an operational and cultural perspective ODS aims to deliver value through provision of high quality services to Oxford City Council and be acknowledged as a great place to work for our employees. The Delivery Strategy included in this document sets out the strategic activities which underpin our approach to business.

ODS is unique in our region. Wholly owned by Oxford City Council, profits are directed to the benefit of a much wider community rather than private shareholders. This reinvestment helps deliver excellent public services funded by commercial enterprise which (given our reputation) are regarded as high quality and value for money. ODS - public service ethos, commercially driven.

Ultimately ODS differentiates from others as a progressive people business, with a well-trained, motivated and committed workforce delivering quality services combined with market levels of productivity. We depend on our people to deliver great services and it is their passion that sets us apart.

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