

REPORT TO: POLICY & RESOURCES COMMITTEE - 28 MARCH 2011

REPORT ON: REVIEW & INTEGRATION OF PROPERTY MANAGEMENT

REPORT BY: DIRECTOR OF CITY DEVELOPMENT

REPORT NO: 168-2011

1 PURPOSE OF REPORT

- 1.1 As part of the Corporate Improvement Programme, the Strategic Management Team remitted the Director of City Development to lead a review of the provision of property maintenance and consultancy services across the Council and to produce recommendations to improve efficiency and reduce duplication among the various stakeholders.
- 1.2 The review also makes recommendations on new delivery models and possible cost savings through increased efficiency and reduced duplication in the management and maintenance of property assets

2 RECOMMENDATION

- 2.1 It is recommended that you;
- note the Review Team's proposal to create a wholly centralised property service for the Council (including the new Leisure & Culture Trust) and that this be located within the City Development Department;
 - agree that this be included within the proposed new Council structure to be put to Policy & Resources Committee;
 - agree that budgetary responsibility for and control of all Council property ownership and maintenance (excluding HRA properties and devolved school budgets) be transferred to the City Development Department (including all associated staff resources); and
 - note that there will be service level agreements between the Corporate Property Unit and client departments (including consultancy services for HRA properties) for all relevant operational properties.

3 FINANCIAL IMPLICATIONS

- 3.1 A number of VERs already taken place within the City Development Department and City Architectural Services; the cost and service implications of these need to be assessed against the service requirements and opportunities associated with a centralised in-house property unit.
- 3.2 Possible further staff efficiencies are to be identified once the centralised service is brought together in City Development Department and a Departmental Structural Review undertaken.
- 3.3 City Development Department will hold all revenue and capital budgets for all operational properties (excluding HRA properties and devolved school budgets) and a thorough assessment of the current client departmental spending on property is needed so that this can be vired to CPU to cover the associated property maintenance and running costs.

- 3.4 A full Benefits realisation programme will be prepared as part of the Corporate Improvement Programme.

4 BACKGROUND

- 4.1 A partial form of Corporate Property Unit was established in 2006 within the then Economic Development Department bringing together staff from client departments who had been involved in the procurement or management of property maintenance activities throughout the Council. Although most of the property related staff were brought together (excluding technical services), budgetary control still remains with the relevant client department thus creating a split between service and fiscal responsibilities and accountabilities.
- 4.2 This initiative has nevertheless achieved a mixed level of success with most client departments being very satisfied with the level of service provided, whereas some client departments have been much less satisfied. Two main areas of difficulty have been identified; firstly, with regard to proper cost control of client held budgets, and secondly, with regard to somewhat strained working relationships at times between the multiple professional staff involved in property maintenance leading to unsatisfactory service provision.
- 4.3 With regard to the provision of professional support services, Architectural Services are currently located within the Support Services Department and Structural Engineering is located within the City Development Department. Other remnants of professional and property services exist in some other departments across the Council.

5 OPTION APPRAISAL OF DELIVERY MODELS

- 5.1 Model 1 – Outsourced (either to private sector or ALEO)

Advantages

- Allows Council to focus on other core activities
- Streamlines business operations
- Liability covered by professional indemnity of service provider
- Do not have to worry about ongoing investment in systems and new technologies
- Makes the core business more flexible to change (i.e. demand)

Disadvantages

- Potential increase in costs
- The fear of the service provider ceasing to trade (bankruptcy, etc)
- Loss control of the management process
- Creates potential redundancies and/or TUPE issues
- Possible conflict of interest due to other organisations may also be using the service provider.

- May lose focus of the customer and concentrate on the product
- The loss of talent generated internally
- Employees, Politicians and Public may react badly to outsourcing
- Loss of in-house expertise may lead to inability to challenge provider
- Ensuring commonality understanding with contractor of purpose of the contract
- Difficult procurement process to identify best organisation to contract with
- Possible future contractual disagreements
- Potentially high costs of monitoring performance and ensuring contract is legally watertight
- Requires decision on responsibility for letting and monitoring outsource contract.

5.2 Model 2 – In-House Decentralised (Status Quo)

Advantages

- Availability and proximity of departmental staff resources in emergency situations
- Property maintenance budgets controlled by client departments (also some disadvantages of this)
- More flexibility to incorporate unforeseen variations to the service specification.

Disadvantages

- Lack of proper overall budgetary control and prioritisation
- Lack of economies of scale to make most efficient use of staff and equipment.
- Limited opportunities for investment in new equipment and technologies and in staff development.
- Risk of changes in service priorities and/or delivery detrimentally effecting overall performance of service
- Responsibility for property sits within departments that often have little expertise in property management

5.3 Model 3 – In-House Centralised

Advantages

- Opportunity to bring related services (e.g. Estates management, Property asset management Property Maintenance, and Consultancy Services) under one Chief Officer with related efficiencies
- Enables overview of most effective utilisation of property assets in line with Service Plans
- Enables service managers to concentrate on managing services without responsibility for property

- Property investment decisions driven by Property Management Professionals
- Opportunity to control and manage levels of preventative/reactive maintenance
- Concentrating all property budgets under heading enables more rational investment decisions
- Simplifies reactive maintenance arrangements for property users: introduce intelligent questioning of reported problems
- In-house costs currently lower than external providers

Disadvantages

- Possible loss of focus by property users on efficient use of property (assumes we have efficient use currently)
- Need to consider availability of property when developing service plans
- Need to devise methodology for making services pay for their associated property costs
- Requires a decision on location of centralised unit and on reporting and governance arrangements.

5.4 PREFERRED OPTION

The review team undertook an assessment of the various advantages and disadvantages of the three options (including benchmarking with local authorities with experience of the alternative models) and are of the view that an 'In-House Centralised' Model is the preferred service delivery mechanism for Property Maintenance within the Council.

6 **OPTION APPRAISAL OF POSSIBLE STRUCTURES**

6.1 Option 1 – Located in Finance/Resources Department

Advantages

- Centralised financial control

Disadvantages

- Fragmentation
- Loss of relationships between built environment professions
- of synergies between Economic Development and Property Ownership Loss

6.2 Option 2 – Located in City Development Department

Advantages

- More integrated service unit (one stop approach)
- Improved synergies with other property and consultancy roles

- Broader use of consultancy services in Economic Development and Regeneration
- Less disruption during change

Disadvantages

- Need for new/improved relationship with client departments

6.3 PREFERRED OPTION

The review team undertook an assessment of the various advantages and disadvantages of the two options (including benchmarking) and are of the view that a centralised Corporate Property service for the Council would be best located within the City Development Department.

7 **BUDGETARY CONTROL & RESPONSIBILITY**

- 7.1 At present, budgets (revenue & capital) for property maintenance still remain with client departments for properties which are within their operational portfolio. This has caused difficulties with regard to the financial control of maintenance activities associated with these properties, particularly in areas such as Health & Safety Contracts.
- 7.2 The retention of individual departmental portfolios of operational property can also cause difficulties in the corporate management of these assets and does not sit well with the guiding principles set out in the draft Corporate Asset Management Strategy.
- 7.3 The review team have therefore considered two alternative models for budgetary control and responsibility which are based on all operational property being held in a corporate portfolio.

Model 1

- 7.4 All operational property is held on a corporate portfolio and then 'leased' to client departments based on their service needs. In this model, the Corporate Property Unit would hold the associated revenue and capital budgets for all operational property and act as a virtual central landlord for all of the property needs of client departments.
- 7.5 This model could involve a form of internal recharge for the 'lease' of operational property from the Corporate Property Unit in order to incentivise client departments to make effective and efficient use of premises and thereby reduce overall property costs for the Council.

Model 2

- 7.6 Again all operational property is held on a corporate portfolio and the Corporate Property Unit would hold the associated revenue and capital budgets for all operational property and act as a virtual central landlord for all of the property needs of client departments.

- 7.7 However, instead of 'virtual' leasing premises to client departments with all of its associated costs and bureaucracy, properties are allocated to service departments on the basis of their needs and a rigorous asset management regime.
- 7.8 This model would require a clear and honest assessment of the current client departmental spending on property costs so that this can be vired to CPU to cover the associated property maintenance and running costs.

7.9 PREFERRED OPTION

The review team are of the view that Model 2 achieves better property asset management for the Council and will help to remove current difficulties and achieve efficiencies.

8 BUILDING MANAGERS & 'RESPONSIBLE PERSON'

- 8.1 The Corporate Property Unit in the City Development Department will provide the 'responsible person' for all operational Council properties with regards to property aspects of health & safety legislation. Client departments will provide a Building Manager for each property, but that role will be clearly defined and will not require specialist property related health & safety knowledge. The CPU will provide a service to Building Managers similar to that provided to Head Teachers by the owners of PPP schools.

9 CONCLUSIONS

- 9.1 The Review Team have undertaken an assessment of the various options available and have concluded that they recommend that;
- all property management activities be provide by a centralised, in-house service
 - this centralised service be located within the City Development Department
 - City Development Department holds all revenue and capital budgets for all operational properties (excluding HRA properties and devolved school budgets)
 - City Development Department undertake the 'responsible person' role for all property related health & safety matters
- 9.2 It is therefore also recommended that City Architectural Services be moved into the City Development Department.
- 9.3 Finally, it is recommended that a thorough assessment of the current client departmental spending on property costs is undertaken so that this can be vired to CPU to cover the associated property maintenance and running costs.
- 9.4 Appendix 1 sets out the areas in which these recommendations can be expected to transform the delivery of property management.

10 POLICY IMPLICATIONS

- 10.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

11 CONSULTATIONS

- 11.1 The Chief Executive, Depute Chief Executive (Support Services), Director of Finance and Assistant Chief Executive have been consulted and are in agreement with the contents of this report.

12 BACKGROUND PAPERS

- 12.1 None.

Mike Galloway
Director of City Development

Appendix 1

Opportunities to Transform Property Management by Implementing review of the Provision of Property Maintenance Services

- Shift emphasis from reactive to preventative maintenance
- Generate information on effective utilisation of property and challenge usage patterns
- Generate comparative comprehensive information on building costs (e.g. including fuel, cleaning and repair) to drive investment decisions
- Encourage better utilisation, including shared utilisation, potentially with other partners, of property assets
- Reduce duplication and demarcation, and streamline processes among the various sections involved in property management
- Improve information sharing among the various sections involved in property management
- Streamline and simplify processes for responding to repair requests
- Reduce and possibly eliminate the need for recharging between budget heads while simplifying decisions about which budget to charge items to.
- Explore relationships with contractors including DCS
- Restructure the City Development Department including Corporate Property Services