



Commissioning Review Option Appraisal Report Corporate Building & Property Services July 26th 2016

Table of Contents

1. Purpose of Report
2. The Review So Far
3. Stage 3 - Service Reviews - Cluster 1- Building Services and Cluster 2 – Property Services
4. Stage 3 – Service Comparison
5. Stage 4 - Service Delivery Options Appraisal
6. Key Issues Going Forward
7. Preferred Delivery Models
8. Opportunities & Benefits
9. Conclusions & Recommendations
10. HR Implications
11. Legal Implications
12. Equality Impact Assessment
13. Implementation

1.0 PURPOSE OF REPORT

- 1.1** This report has been produced following the approval by BPRG at Gateway 2 to proceed onto Stages 3&4 of the Commissioning Review process. Its purpose is to inform CMT and BPRG of progress and to seek support on the approach and recommendations to deliver the most viable future service option.
- 1.2** If support is provided, the next phase is to take the proposals to Scrutiny on 15th August and Cabinet on the 18th August 2016.

2.0 THE REVIEW SO FAR

2.1 Scope

The scope of services to be included within the Corporate Building & Property Services Commissioning review was set out in Stage 2 of the process and consisted of:-

- Support Services
- Technical Services
- Strategic Estates & Facilities
- HRA & Non HRA Maintenance
- HRA & Non HRA Capital

2.2 Outcomes

The future outcomes identified and approved at Stage 2 consist of:-

1. To provide and maintain a sustainable, affordable and quality property portfolio, 'Fit for the Future', enabling the council to deliver its corporate and other priorities.
2. To provide and maintain quality, affordable social housing, ensuring that housing is safe and secure, that tenants thrive and the communities we serve prosper.
3. To provide and maintain a sustainable educational portfolio to enable education to deliver their priorities, making a positive difference, with lasting benefits to pupil attainment.
4. To maximise financial return for the commercial portfolio whilst considering alignment with financial objectives and corporate well-being.
5. To offer additional, added value including employment and apprenticeship opportunities which contribute to the council's overall corporate objectives, transforming lives and strengthening the local economy.

2.3 Emerging Key Issues From Stage 2

The emerging key issues identified at Stage 2 of the review were:-

- Staff reductions may restrict the ability of CB&PS to meet future workloads.
- The risk attached to growing the business beyond the completion of WHQS in 2020.
- The expansion of the 'More Homes' Project
- The service largely delivers on the priorities of other parts of the council and is primarily but not exclusively dependent upon policy decisions taken by Council and Cabinet. E.g. interdependency with housing revenue account, 21st Century Schools.
- The impact of the councils wider change programme and other service commissioning reviews.

3.0 STAGE 3 -SERVICE REVIEW

Due to the interdependencies required for the proposed service changes to be effective, it was decided that the services be grouped in to clusters for consideration. The clusters being:-

CLUSTER 1 – BUILDING SERVICES

CLUSTER 2 – PROPERTY SERVICES

Each service was reviewed in terms of:-

- What it currently provides.
- Good practice identified.
- Service changes proposed

3.1 CLUSTER 1 – BUILDING SERVICES

3.1.1 The Service is a Hybrid set up with 60% of its workload carried out by the In House sections and 40% carried out by external contractors but is still managed by the In House Technical and Operational services. The service consists of:

- An operational provision based at the Heol y Gors Depot.
- Four departments including:
 1. Technical Services
 2. Support Services
 3. HRA & Non HRA Maintenance
 4. HRA & Non HRA Capital

3.1.2 Good Practice Identified:

- Lean Management Structure (70 managers/supervisors in 2012 to 39 in 2016)
- High customer satisfaction levels
- Benchmarking comparable, if not better than competitors
- Robust Apprentice Programme in place for last 13 years, recruiting approximately 150 individuals.
- High accreditation in field of Waste and Sustainability

3.2 CLUSTER 2 – PROPERTY SERVICES

3.2.1 The service consists of:-

- One provision based within the Civic Centre
- Three departments including:
 1. Estate Management
 2. Asset Management
 3. Facilities Management

3.2.2 Good Practice Identified

- Lean Management Structure (12 managers/supervisors in 2012 to 7 in 2016)
- High customer satisfaction levels
- Benchmarking comparable if not better than competitors

3.2.3 Proposed Service Changes

Following the successful merger of the Estates, Facilities and Asset Management Sections there has been considerable ongoing organic change to the service to ensure that peaks and troughs to the various elements of the property services unit can be met.

The intention was, to support the Commissioning process and in conjunction with a very clear understanding that there will have to be a reduction in the level of service provided, that a number of ER/VR requests are supported, subject to there being the creation of a number of lower grade posts, (including apprenticeships) to enable the realignment and prioritisation of work to be undertaken.

This is still being costed dependent upon the additional ER/VR business case requirements, but the likelihood is that significant staff savings can be made as a result.

It is, however, to be clear that there will have to be an intensification of the current commercial approach which will necessitate the fact that low value/nil value work that is often expected due to a political input will not be able to be completed.

3.3 Main Risks

The main risks highlighted during the review are noted as:

- A potential further reduction in staff following the Senior Staff Review may restrict the ability of CB&PS to meet increased workload demands, thereby reducing our ability to make savings.
- The ability to retain staff given the upturn in construction industry is of concern.
- The capability to attract appropriately qualified staff in certain areas within the current Authority pay model is already proving challenging.
- The shift in workload/turnover into the HRA Budget restricts the amount of savings that can be generated in the General Fund.
- It will be risky to grow the operational service and maintain it beyond the completion of the WHQS in 2020.
- The potential savings through the commissioning process may be duplicated in other Sustainable Swansea strands.
- The above noted interdependencies.
- The service largely delivers on the priorities of other parts of the council, as such the maintenance and improvement of the housing stock and the operational portfolio is primarily but not exclusively dependent upon policy decisions taken by Cabinet and Council. E.g. The Culture and Leisure commissioning review – the reduction of assets would have a significant impact.
- Whilst Sustainable Swansea is primarily focused on revenue budgets there is a clear interdependency with the Councils capital budget and grant funded streams such as 21st Century Schools. As such any reduction in these budgets would have a consequential effect on asset condition, the resources required, the net trading position and the services provided by the wider Council.
- The balance between revenue income and capital receipts creates a potential risk around the net cost of the service.

4.0 STAGE 3 – SERVICE COMPARISON

As part of the review process a service comparison stage has been completed to compare the current service model, output and performance with others.

4.1 Key Findings and Summary

4.11 Performance

CLUSTER 1 – BUILDING SERVICES

CB&PS are proud to have been recognised in many National awards over recent years. In 2015 CB&PS was a finalist for the APSE ‘Council of the Year’ award (Improving on the

2013 finalist for 'Best and Most Improved Performer' award), and won both the APSE 'Waste & Sustainability' and 'Best Refurbishment Project' awards. The strong apprentice programme has placed a finalist in the APSE 'Craft Apprentice' category for 2015 and the latest two Silver awards were received from iESE in the 'Waste and Sustainability' and 'Workforce Development Strategy' categories in March 2016. Significant improvements have been made within the service area and the awards reflect part of this success.

See **Appendix A** for a complete list of achievements, 2009-current.

CB&PS is an active member of APSE (Association for Public Service Excellence) and reports annually on a breadth of PI's. APSE publishes 'family' reports so that authorities can compare performance against similar types of services. The most recent report of 2014-15 includes a mixture of ALMO service units, contracted out services, but with the majority being similar In-House provisions to that of CB&PS

In 2014-15, CB&PS were ranked in the top quartile for the percentage of appointments kept, the number of gas safety checks completed, productive labour costs as a percentage of total labour costs and central establishment charges as a percentage of total expenditure.

The report also notes that of the family group, CB&PS had the greatest number of apprentices by an additional 36% (42), with two councils not featuring any.

See **Appendix B** for further details, APSE Building Maintenance Performance Report 14-15.

A commissioned national research report delivered by a private consultant partnering with APSE in 2015 identified CB&PS's 'successful journey of change with the aim of improving productivity'. This report reinforces CB&PS's commitment to managing performance effectively whilst moving from bonus related pay to salaries for the operational workforce in 2013.

CLUSTER 2 – PROPERTY SERVICES

Over the last year Property Services has delivered on:

- Successful marketing of major assets for disposal during 16/17 including Penllergaer Civic Centre, former Danycoed Training Centre, Cwmbwrla Primary.
- Debt levels below 6% achieving significant improvement on set performance targets.
- Successful completion of major accommodation (circa 450 staff) moves including the relocation of the joint Social Services/Health Intake Team.

Successful reallocation of (1,070) parking permits to meet the business needs of the City and County of Swansea. Successful implementation of cleaning commissioning review.

A recent report by Jones Lang La Salle commissioned out of the Transformation Fund to add some strategic input to the future strategy for holding investment portfolio, supports the Transformed In-House model:

1 "We have examined the current arrangements for estate management within the Council and consider that a centralised property service model run by the Strategic Estates Team offers a professional approach, which is well organised, and in line with property industry best practice guidelines".

2. *“We have been advised of the various reviews that have been undertaken and implemented by the Strategic Estates Team and we acknowledge that this is an appropriate approach and reflects Best Practice”.*

3 *“Due to the complex nature of the estate we recommend that the management of the Investment Portfolio remains within the Council’s Strategic Estates Team in order to capitalise on their local knowledge and experience. This is particularly important during the initial rationalisation phase”.*

4.4 Business Models

CLUSTER 1 – BUILDING SERVICES

In general, comparison work undertaken for the commissioning review has explored a variety of UK council set ups including the current APSE ‘Building Maintenance Best Performer for 2015 – Falkirk Council and the winner of the ‘Building Maintenance Most Improved Performer’ A1 Housing – an ALMO linked to Bassetlaw District Council. CB&PS are performing comparably to both operations.

See **Appendix B** for further details, APSE Building Maintenance Performance Report 14-15.

It is clear from the comparison piece that no two councils are alike, most have different sized property portfolios, some are in-house transformed services, some ALMO’s such as Nottingham City Homes and A1 Housing. Some are contracted out e.g. Birmingham City Council and Hull City Council who both contract out all maintenance works.

CLUSTER 2 – PROPERTY SERVICES

A piece of review work was recently commissioned in order to determine whether an ‘in-house’ delivery model for Estates Managements purposes delivers the best value for money, whilst maintaining a quality service.

In summary a review of 7 local agencies plus national consultancy firms revealed that although services are available on the open market, it is evident that the vast majority of firms are too small and of specialist nature to manage the councils investment portfolio. Some of the larger national firms would be capable of tendering for such work although this would likely be managed from a satellite office in Cardiff or Bristol which could cause problems at a local level – for both tenants, the councils client side role and regeneration planning and awareness.

The briefing note is attached as **Appendix C**

All the councils reviewed appeared to have in-house Estates Management departments, with only one (Caerphilly) utilising external sourcing to supplement their internal offering. Bristol is working in partnership with Bath, North Somerset and South Gloucester Councils to deliver a commercial property portal.

For a full overall Council Comparison Sheet see **Appendix D**

4.5 Benchmarking

4.5.1 CLUSTER 1 – BUILDING SERVICES

Detailed benchmarking analysis has been carried out on the main work areas undertaken by CB+PS and is summarised below. The benchmarking process was carried out using a

combination of obtaining comparable quotations using Sell to Wales, using existing Contractor Framework rates and the Authorities Work of Adaption Contractor Schedule of Rates to compare with CB&PS rates. However, as this information is used for tendering purposes, it is inappropriate to release this into the public domain.

There are some work areas that the service is unable to currently compete competitively within the External market place (i.e. PAT Testing, Kitchen & Bathrooms and Painting) and it would be the intention to procure these works through external contractors whilst still managing the process and budgets.

Operational Work Areas – Benchmarking Summary:

Work Area	Benchmarking
Minor Capital Works	Average 10% below External Contractor
Enveloping Works	Average 3% below External Contractor
RPP & Painting Works	Average 22% below External Contractor
Retaining Walls	Average 12% below External Contractor
Fencing & Welding Works	Average 11% below External Contractor
Electrical Works	Average 2% below External Contractor
Mechanical Works	Average 5% below External Contractor
Voids Works	Average 10% below External Contractor
Works of Adaptations	Average 3% below External Contractor
Servicing Works	Average 19% below External Contractor
Legionella Testing Works	Average 6% below External Contractor

The benchmarking clearly indicates that CB+PS are value for money compared to the External market in all the works areas analysed.

Benchmarking analysis has also been carried out on our Technical Consultancy function and is summarised below. The table shows comparisons with private sector rates obtained through a regional procurement across the south west wales authorities which are currently in place.

CB&PS Technical Function Teams Fee Rate WORK TYPE	CB+PS	Regional Consultancy Framework
Housing Capital Works (Up to £1m) - External Contractor	6%	9.85%
Housing Capital Works (Up to £1m) - Internal Contractor	4%	9.85%
Housing Capital K+B Schemes (Up to £1m) - Internal Contractor	6.5%	9.85%
Public Buildings/Education Works Single Discipline (Up to £500k) - External Contractor	9.75%	10.56%
Public Buildings/Education Works Single Discipline (Up to £500k) - Internal Contractor	9.25%	10.56%
Public Buildings/Education Works Single Discipline (£500k - £1m) - External Contractor	7.25%	9.51%
Public Buildings/Education Works Single Discipline (£500k - £1m) - Internal Contractor	6.75%	9.51%
Public Buildings/Education Works Multi Discipline (Up to £500k) - External Contractor	12.50%	17.57%
Public Buildings/Education Works Multi Discipline (Up to £500k) - Internal Contractor	12%	17.57%

Public Buildings/Education Works Multi Discipline (£500k - £1m) - External Contractor	10%	13.11%
Public Buildings/Education Works Multi Discipline (£500k - £1m) - Internal Contractor	9.5%	13.11%

The benchmarking clearly indicates that the Technical Consultancy team proved best value when compared to the external market.

In addition to the savings above there are also additional savings accrued if both the design and works are carried out “in house” due to the savings in terms of procurements and duplicate site management costs in managing an external contractor. This can amount to anything between 2% and 6% additional savings.

The % savings above will provide surplus budget in both the General Fund and HRA budgets to allow more works to be completed within the existing annual budgets.

The In House provision figure includes departmental and central establishment costs attributed to Corporate Building & Property Services and cover the costs of our apprenticeship policy.

Should this work be outsourced to an External source some of the above mentioned costs i.e. central establishment costs will still need to be recovered by the Authority over and above any charges from the External source?

Full details of the benchmarking exercise can be made available.

4.5.2 CLUSTER 2 – PROPERTY SERVICES

Property Services has commissioned a benchmarking project reviewing other authorities:

Review of comparator fees:

Blaenau-Gwent- Fees subject to officer discretion & are a minimum.

Neath Port Talbot – No fixed fee structure in place to allow for flexibility. Fees payable whether proceeds or not.

Cardiff – details of fees charged for Acquisitions detailed in **Appendix F**.

Bridgend – Currently looking to restructure their fees.

Swansea – Details of fees charged for residential properties detailed in **Appendix F**.

Merthyr Tydfil – All fees to be based on individual circumstances.

Rhondda Cynon Taf – Full Breakdown of sliding scale detailed in **Appendix F**.

Torfaen – Fees are minimum and subject to uplift depending on complexities / delay etc.

The provision of the property services function across the Estates and the Asset Management Teams is primarily delivered in house, but there is an element of mixed economy in that at times either a validation by an independent third party is or there is a need to fill a resource gap, either through capacity or specialist experience, external consultants have been engaged.

At the same time and in order to capture the amount being spend on specific tasks within the Property Services Unit an element of sample time recordings are undertaken to establish time and cost spent on activities.

What was then undertaken was a very simple analysis in terms of equivalent cost of time spent on core tasks such as rent reviews, lease renewals, rent collection and general estate

management. This roughly equates to a third of the FTE activity of the Strategic Estates Division.

By applying the appropriate market rate as identified to the specific tasks of; rent collection, simple estate management (i.e. not all estate management activities) rent reviews, lease renewals and valuations this would equate to a broad comparable cost in the market of £830,000 which when compared to Strategic Estates Division staffing costs, the actual equivalent cost is circa £327,000. This represents a saving of 60% on private sector costs.

Furthermore, what isn't included in this rough estimate of cost are activities such as management and maintenance of the Land Property Terrier base, property advice to service departments, strategic asset management, general non-chargeable enquiries, disposals, corporate function and the very clear client function that would be required. If this was to be included the cost of provision of the service by the private sector would be considerably in excess of the current provision of service within the Strategic Estates Division of £982,000 total cost.

Also, when comparing hourly rate recharge at a minimum of £86.00 per hour as is the lowest rate identified in the private sector, the in-house provision equivalent cost of £45.00 is half the cost of the private sector.

Additionally, the fact that the Property Team recovers maximum costs wherever possible can be seen to be comparable if not in excess of many other Local Authorities in Wales demonstrating a very efficient commercial approach.

With regards to the Facilities/Accommodation element of Property Services, it is possible to identify direct comparable costs for straightforward functions, such as security, however the function of the Facilities Team that covers this element is more than basic security function, it includes caretaking, customer contact, fire risk management, etc. Therefore a broad direct comparison is not possible and no doubt a multifunctional comparison would be difficult to source and considerably more costly.

The integration of Strategic and operational element of Facilities/Accommodation is again something that it would be difficult, if not impossible, to identify as a direct like for like due to the very specific nature of the function and the specific knowledge required to manage a very diverse client group that exists with a Local Authority operation.

See **Appendix E** for External Consultants & **Appendix F** for Local Authority comparisons.

4.6 Financial

4.6.1 CLUSTER 1 – BUILDING SERVICES

i) Budgets

CB+PS currently manage and control three budget areas as detailed below:

a. Corporate Building Services Budget. This Budget covers the following Cost Centres:

55001	Corporate Building Trading Account	£825,500
55032	Property Maintenance Group	(£16,850)
55101	Property Capital Group	(£74,950)
55106	Facilities Building Maintenance Group	£787,100
55121	Property Preventative Maintenance	£3,485,900
	Total Budget	£5,006,700

b. Facilities Budget. This Budget covers the following Cost Centres:

56002	County Hall	£2,255,200
56003	Penllergaer Offices	£386,400
56004	Guildhall	£356,100
56006	Mansion House	£22,500
56008	Oldway Centre	£374,900
56009	Energy Management	£119,000
56010	Carbon Reduction Commitment	£365,000
56011	Corporate Mail Room	£157,700
56012	Public Clocks	£10,500
56013	Accommodation Strategy	(£126,500)
56014	Corporate Cleaning	£517,600
		Total Budget £4,438,400

c. Estates Budget. This Budget covers the following Cost Centres:

56051	City Centre	(£1,039,600)
56052	Corporate Properties	(£584,100)
56053	Lower Swansea Valley	(£1,644,900)
56054	Maritime Quarter	(£228,600)
56057	Quadrant	(£1,217,000)
56058	Strategic Estates	£982,250
56059	Workshops	(£319,950)
56060	Surplus Properties	£86,900
		Total Budget (£3,965,000)

Total CB&PS Annual Budgets £5,480,100

ii) Income

In addition to managing the above budgets, CB+PS generates its total income against the budgets above and the following budget streams:

a. Corporate Building Services Income *

55001	Corporate Building Trading Account	£33,000,000
55031	Schools SLA Budget	£935,000
55032	Property Maintenance Group Fees	£1,500,000
55101	Property Capital Group Fee's	£1,000,000
55106	Facilities Building Maintenance Group	£450,000
		Total Income £36,885,000

* Examples include: Revenue budget as referred to in section 3.14 above, School's SLA Budget Income, HRA Revenue Budget Income, HRA Capital Budget Income, WG QED & Flying Start Budget Income, other CCS Department Budgets & External Grants Income.

b. Facilities Income

56002	County Hall	£55,000
56004	Guildhall	£180,000
56014	Corporate Cleaning	£57,000
		Total Income £292,000

c. Estates Income

56051	City Centre	£1,039,600
56052	Corporate Properties	£650,000
56053	Lower Swansea Valley	£1,750,000

56054	Maritime Quarter	£228,600
56057	Quadrant	£1,217,000
56058	Strategic Estates	£240,000
56059	Workshops	£360,000
		Total Income £5,485,200

d. HRA Capital Fee Income

	HRA Capital Fee Income	£1,175,000
		Total Income £1,175,000

Total CB&PS Annual Income £43,837,200 (Actual for 2015-16)

A further £35m+ turnover within the HRA Capital budget and the Education QED programme is managed by our Capital/PM design sections. This gives a current total annual turnover spend that is managed by CB+PS of approx. £80m.

The turnover of £43.8m for 2015/16 represents an increase of turnover of 10% over the last three years.

Turnover is likely to increase for 2016/17 and the coming years with the substantial increase in the HRA Capital budget to ensure WHQS is met by 2020 together with CB+PS involvement in the More Homes pilot schemes.

The Housing Capital Budget for 2016/17 has increased 22.5% to £61m and will further increase annually until 2020 when WHQS is achieved. The current split of the annual turnover is approx. 60% by In House provision and 40% by External Contractors.

4.6.2 CLUSTER 2 – PROPERTY SERVICES

Examples of financial performance include:

- Capital Receipts - £5.5M achieved including individual Elba Estates freeholds
- £5.3M rental income received in excess of budgeted targets through significant additional income for new lettings, rent reviews, lease renewals over and above expected targets.
- Increased occupancy of accommodation by 5.8% in excess of targets.
- Circa £100,000 increased income by way of enhanced commercial approach through full cost recovery and the letting of two commercial cleaning contracts.
- Circa £373,000 resourced through the successful appeal of rating assessments.

Plus of course the ongoing settlement of rent review, lease renewals, new licences, lettings, tenant's consents, fire risk assessments, minor accommodation changes, security and caretaking support, thousands of asset valuations, insurance valuations, trespass claims, site indemnity agreements, etc.

4.7 Customer Satisfaction and Stakeholder Engagement

4.7.1 CLUSTER 1 – BUILDING SERVICES

- 92% of Housing customers in 2015 said they were satisfied with the work carried out by the day to day maintenance department.
- Technical Services customer survey reveals 100% of clients believe performance, value for money and customer services are either 'good' or 'excellent'.
- Public Building and Education clients have scored the Capital Department at 96%+ over the last two years for overall satisfaction of the service provision.

- The number of justified complaints whilst very low has still reduced significantly in the last year from 29 in 2014-15 to just 12 in 2015-16.
- The council attend regular tenant forum meetings, at which CB&PS are normally represented.
- Consultation is also undertaken via the Open House Magazine.
- Head Teacher Education Forums also take place.

4.7.2 CLUSTER 2 – PROPERTY SERVICES

- 100% of the Strategic Estates customers scored the standard of service as either 'excellent' or 'good', and also the individual services on offer e.g. landownership queries, general property advice, security response and accommodation queries.
- The Facilities Management team have conducted a more specific survey regarding accommodation moves and feedback has shown 86% of their customers have thought the service 'very good'.
- It is difficult to have direct stakeholder engagement with contractual stakeholders, but there is regular engagement with public sector partners and direct clients through the Local Property Board and Asset Management Group, Accommodation Working Group, Community Council Forum and structured member engagement.

4.8 Conclusion

The Authority provides cost effective, high performing Corporate Building and Property Services.

5.0 STAGE 4 – SERVICE DELIVERY OPTIONS APPRAISAL

5.1 CLUSTER 1 – BUILDING SERVICES

As part of the review process an options appraisal stage has been completed. Consideration was given to three delivery options available to provide the services under the scope of the review.

All options were considered with two models being discounted prior to scoring:

- a) Community transfer – This was discounted as it would not be a suitable model for the whole of Building and Property Services, but may well apply to individual assets transferred as part of the wider commissioning reviews. E.g. Culture and Leisure
- b) Collaboration/Partnership - Existing collaboration exists where the activity is best delivered by that route at National and local levels. Examples include the sharing of technical resources with technical partners, the creation of regional frameworks for construction and technical services and wider use of procurement frameworks such as NPS

As such it was determined that the options to be considered and evaluated to provide the services under review would be:

Option 1 Transform in House (Hybrid).

This model would maintain direct provision of the services (Mixed model already in place), but seek to make savings, maximise income and develop service improvements through the more efficient and flexible use of resources, improved technology (Please note this could include some element of stopping/reducing services). It would also look to increase the In House provision. For example an increase of approx.10% would amend the split of works between In house and external to 70:30(this increase takes into consideration the implications post 2020 when WHQS will have been achieved and the new demand of the proposed Band B works that will emanate from The QEd programme).

Option 2 Outsource to Private Sector

This model would require the procurement of one or more external organisations to deliver the services under consideration and would be considered as part of a 'Hybrid' model of delivery, where services are delivered through a combination of in-house, partnership and contractual arrangements. Compliance with the European public procurement regime would require European wide competitive tendering.

Option 3 Set up a new company to run the organisation

There are little benefits in terms of the overall service in this model and it would be best suited to more "commercial projects" such as 'More Homes', but requires thought on the longevity of the initiative – It is likely that for this example this only is best considered following the completion of the current pilot project.

5.2 CLUSTER 2 – PROPERTY SERVICES

Consideration was given to three delivery options available to provide the services under the scope of the review.

All options were considered with two models being discounted prior to scoring:

- a) Community transfer – This was discounted as it would not be a suitable model for the whole of Building and Property Services, but may well apply to individual assets transferred as part of the wider commissioning reviews. E.g. Culture and Leisure
- b) Collaboration/Partnership - Existing collaboration exists where the activity is best delivered by that route at National and local levels.

As such it was determined that the options to be considered and evaluated to provide the services under review within this process would be:

Option 1 Transform in House.

This model would maintain direct provision of the services, but seek to make savings, maximise income and develop service improvements through the more efficient and flexible use of resources, improved technology (Please note this could include some element of stopping/reducing services).

Option 2 Outsource to Private Sector

This model would require the procurement of one or more external organisations to deliver the services under consideration and would be considered as part of a 'Hybrid' model of delivery, where services are delivered through a combination of in-house, partnership and contractual arrangements. Compliance with the European public procurement regime would require European wide competitive tendering.

Option 3 New Company or Partnership

This model would require, in the case of a joint venture with a private company, full compliance with European public procurement regime. In the case of a joint venture with another local Authority, it would require agreement on behalf of both parties for a long term plan for the provision of Property Services.

- 5.3** An Options Appraisal workshop attended by a cross section of CB&PS stakeholders was held at the Civic Centre on Thursday 30th June 2016 to consider different delivery models available for the previously describe clusters.

The service delivery options detailed above were scored and evaluated based on the following criteria:

- Service Outcomes.

- Fit with Council Priorities.
- Financial Impact.
- Sustainability and Viability.
- Deliverability.

Key perceived benefits of each option are shown below.

CLUSTER 1 – BUILDING SERVICES Summary:

	Transform In House	Private Provider	Set Up A new Company
Service Outcomes	4	2.2	2
Fit with Council Priorities	4.3	2.3	3.1
Financial Impact	4.1	1.6	2.6
Sustainability/Viability	3.8	3.3	3.8
Deliverability	4.7	3.6	3.8
Total Average Score	4.2	2.6	3.1

Score Findings:

- **Transform In House - Average Score 4.2** (4 or 5 = Meets Criteria. Major Improvement likely. Potential for substantial advantages.)
- **Externalise – Average Score 2.6** (2 or 3 = Partially meets the Criteria. Some improvements. Potential advantages outweigh potential disadvantages.)
- **Set Up New Company – Average Score 3.1** (2 or 3 = Partially meets the Criteria. Some improvements. Potential advantages outweigh potential disadvantages.)

CLUSTER 2 – PROPERTY SERVICES Summary:

	Transform In House	Private Provider	Set Up A new Company
Service Outcomes	4.3	2.2	4
Fit with Council Priorities	5	3	4
Financial Impact	4.6	1.8	4
Sustainability/Viability	4.3	3.7	3.3
Deliverability	5	2.7	3.3
Total Average Score	4.6	2.7	3.7

Score Findings:

- **Transform In House - Average Score 4.6** (4 or 5 = Meets Criteria. Major Improvement likely. Potential for substantial advantages.)
- **Externalise – Average Score 2.7** (2 or 3 = Partially meets the Criteria. Some improvements. Potential advantages outweigh potential disadvantages.)
- **Set Up New Company – Average Score 3.7** (Sits between Meets and Partially meets criteria as described above)

A full scoring matrix of each model outlined below can be found in **Appendices G & H**

The information below shows the Stage 4 workshop discussions on how the respective scores for each were determined.

Option 1 - Transform In House	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Already a very efficient, high performing service. Benchmarking demonstrates Hybrid working well. • Greater local control/accountability (Members and Officers) • Greater flexibility- an ability to adapt to changes in legislation, service needs and markets. • Excellent skills and experience. • No requirement to make a profit. • Local employment (Poverty Agenda) • Assist the Authority in meeting its objectives. • Retains flexibility of options for potential local government reorganisation. • Low risk option. • Option to manoeuvre ratio of current 60:40 to take on more internal works. • Apprenticeship programme can continue. • Greater commitment to Corporate Priorities and ownership of business outcomes. • Tax/legal easier 	<ul style="list-style-type: none"> • Perceived reduced ability to innovate and provide value for money. • Change management, particularly Terms and Conditions and operational practices can be slow to introduce. • Lack of technological Investment • Corporate budget cuts impacting on service area performance, eg less legal support, HR support etc.
Option 2 - Outsourcing to Private Sector	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Inject new investment without the need for the Authority to invest up-front. • Introduction of new ways of working and innovation. • Removal of perceived red tape and cost of bureaucracy. 	<ul style="list-style-type: none"> • Loss of local control and flexibility to change. • Loss of expertise leads to reliance on contractor. • Difficult to bring back in-house in the future. • Contractual issues, including service changes lead to increased costs over contract price. • Potential loss of local employment. • Contract/procurement costs. • Need to set up a client function. • Poor timing bearing in mind uncertainty of local government reorganisation. • Culture of money making as opposed to social conscience of CCS
Option 3 – Set up a New Company/Joint Venture	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Possibility to reduce overall management costs. • More flexible to change • Could enable economies of scale to be achieved • Platform to encourage more income 	<ul style="list-style-type: none"> • Poor timing bearing in mind uncertainty of local government reorganisation. • Different methods of existing service delivery. • Needs a partner who wants to undertake preferred Joint Venture approach. • Teckal Company could only trade at 20% of

generation/commercialism beyond Public sector. • May suit at a future date for some aspects of the service	turnover externally • Initial outlay of set-up could be <£500k. • Knock on effect on wider corporate services
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6.0 **KEY ISSUES GOING FORWARD**

6.1 **Key factors that need to be considered.**

Whilst undertaking the comparison piece it has become clear that other Councils decisions to move away from an in-house model of delivery for some of its services may have been driven by wanting a more commercial development strategy – using new sources of revenue to support continuation and improvement of local services.

More recently however, some have opted to bring services back in-house where failings have been associated with legal wrangling's, longevity of projects, value of model once government funding has ceased. (Guardian 11.6.12).

APSE (News Direct Article Jan/Feb 2016 pg 11) suggests that a cultural shift may be needed if a trading company were to be formed and suggests that (remaining in house) utilising improved internal charging powers can be as highly effective and a simpler strategy in comparison – and without the delays that new structural models often involve.

In view of a growing housing revenue account, the growth potential of the 'More Homes' project and the additional existing business within the Authority which could also be delivered by CB&PS, the Authority has to be mindful of this when considering the best future delivery model. When evaluating the desired outcomes and key factors that need to be addressed as part of the review it has become clear that CB&PS also needed to take account of:-

Reducing budgets

- Indicative 50% reduction across Place Directorate.
- Reduced capital maintenance budget resulting from reduction in disposals

Growing budgets

- HRA – WHQS
- 'More Homes' project
- Opportunity to do more internal work eg DFG's.

Invest to Save

- Projects arising from the new Energy Strategy

Additional Budget Reductions

- Senior Staff Review.
- Modernising Business Support.
- Income and Charging.
- Third Party Spend.
- Depot Review.
- Stopping Services

Inhibitors

- Lack of mobile technology.
- Lack of skilled resources.

The review has identified numerous examples of good practice, which if implemented in a structured coordinated manner will enable the Authority to:-

- Bring more of its existing contracted work in house
- Do additional contracted work – DFG's
- Continue to offer a mixed economy of internal and external works
- Manage resources and performance efficiently
- Optimise assets
- Improve fleet management
- Improve third party spend
- Increase income generation
- Introduce mobile working in Operational areas
- Increase commercialism in Strategic Estates

7. PREFERRED DELIVERY MODEL

Having taken all of the above into account, the different models of delivery have now been considered and it's been determined that the most suitable way forward would be as follows:

7.1 CLUSTER 1 – BUILDING SERVICES

Preferred Delivery Model - Transformed in-house

Main Reasons:

- i. High performing and cost effective service
- ii. Retains flexibility and control
- iii. Avoids lengthy and costly change process
- iv. Potential local government reorganisation
- v. Keeps future options open post LGR
- vi. Local employment and apprenticeships
- vii. Management team already reduced by 50%
- viii. Has potential to generate more income
- ix. Doesn't duplicate delivery of management costs

7.2 CLUSTER 2 – PROPERTY SERVICES

Preferred Delivery Model - Transformed in-house

Main Reasons:

- i. High performance
- ii. High levels of local knowledge and experience
- iii. Teams already reduced
- iv. Potential local government reorganisation
- v. Keeps future options open post LGR
- vi. Local employment and apprenticeships

Following the procurement of a corporate landlord review report by CIPFA, it was identified that the Council has made significant progress with the implementing of corporate landlord model.

The key fact is one that has established in best practice is that corporate landlord model ensures that:

- It enables a Local Authority to utilise its assets to deliver a better, more efficient services to communities.
- Unlocked the value of assets to seek efficiency through joint arrangements for public sector partners and maximise private sector investment.
- Integrated thinking about property financial, regeneration and other considerations to support delivery of the Council's corporate plan.
- Corporate landlord approach ensures that all property related functions sit within a single integrated professional property service covering strategic property/asset management, estates valuation, design and maintenance, facilities and contract management.

We/CCS are following the corporate landlord model which is establish best practice and, as advised by CIPFA, is the correct and appropriate model for dealing with all aspects of asset management.

CCS are moving towards the centralisation of the full property function all under Corporate Building & Property Services. This will include the strategic and operational property function of the organisation all in one place, allowing services to concentrate on delivery of their core service objectives and not on property matters.

By centralising in one place the corporate landlord ensures there is a single point of contact with regards to all property matters and avoids duplication. This is the core purpose of the business support model but by removing elements of Corporate Building & Property Services function out into a business support model would lead to duplication, additional cost, lack of clarity and financial risk.

What would be and is the sensible approach is the continuation of the adopted corporate landlord model – as approved by Cabinet – with this clear strategic function linking into whatever strategic unit of the business support function is ultimately created.

As long as this clear link is made and there is no reason this won't be made as this will be clarified within the corporate landlord function, then there is no risk.

What cannot happen for the reasons stated above is that there is any suggestion of an assets element being separately created within the business support unit.

8. OPPORTUNITIES AND BENEFITS

CB&PS identified a range of opportunities; these were shared with the stakeholders during the stage 4 workshop to establish whether they were viable. Discussion took place as to whether they achieved the future outcome, whether they were deliverable and some indication of financial benefits.

CB&PS opportunity recommendations mirror market trends as described in the *APSE 'State of the Market Survey 2015, Housing Building Maintenance and Construction'*.

The full report can be made available.

See **Appendix I** for the full CB&PS opportunities summary sheet.

8.1 The estimated financial impact of the above recommendations are as follows:

Opportunity	Est. Saving	Risks & Issues
Assets & Budgets		
Optimisation of Assets	H	<ul style="list-style-type: none"> • Dependency between service commissioning reviews and number of assets retained by the Authority • Risk of double counting savings already included in other strands. • Savings will be accrued in future years as decisions made on assets by a case by case basis.
Reduction in the Capital Maintenance Programme	0	<ul style="list-style-type: none"> • Future ops but only after number of assets reduced. • If capital budget is reduced in advance there will be risk of unplanned closure of assets
Reduce budgets, statutory & non-statutory servicing, planned and follow up works	0	<ul style="list-style-type: none"> • Future ops but only after number of assets reduced. • If revenue budget is reduced in advance there will be unplanned closure of assets
Income Generation & Invest to Save		
Increase income & commercialism in Strategic Estates	M	<ul style="list-style-type: none"> • Linked to non-operational property review approved by cabinet 21.7.16
Increase HRA operational turnover within Building Services	H*	<ul style="list-style-type: none"> * Whilst the increased turnover on HRA activities would potentially benefit tenants and generate additional employment & apprentice opportunities, any additional budget savings will benefit the HRA but cannot contribute to General Fund savings.
Explore commercial opportunities for In-house operational works and technical services	M	<ul style="list-style-type: none"> • Opportunities being worked up with commercial services, operational contractor and consultancy functions eg gas servicing, facilities management. • Budgets already includes an assumption of a profit from additional turnover.
More Homes Project	0	<ul style="list-style-type: none"> • First pilot project commenced in the summer of 2016 and financial viability to be established. • Consideration of future scale and model of delivery to be determined in line with More Homes strategy (Outside timeline of current MTFP)
Energy Strategy	M	<ul style="list-style-type: none"> • Energy Strategy approved by Cabinet 21.7.16 • Activity linked to action plan embedded within Energy Strategy
Resource & Performance Efficiencies		
Fit for the Future Organisational Structure	H	<ul style="list-style-type: none"> • Develop new departmental structure to deliver future model and increased turnover • Actions include ER/VR, Senior Staff Review savings • Performance management improvements following move to salaries • Alignment – overlap with other Sustainable Swansea reviews and implementation of Business Support

		model
Improved Fleet Contract	H	<ul style="list-style-type: none"> • Implement alternative models for vehicle leasing • Potential overlap with commissioning review of H&T. • Majority of savings accrued to HRA
Review third party spend and supplier frameworks	0	<ul style="list-style-type: none"> • CB&PS will work with commercial services to identify opportunities. • Current construction costs are rising and as such it would be unwise to assume any additional savings over and above those currently contained within the base budget.
Develop mobile working and technological support	H	<ul style="list-style-type: none"> • Currently working with IT to develop a corporate solution • Direct link to business support implementation and savings already accounted for in budget. • Implementation timescale not clear due to need to agree IT implementation plan. • Significant proportion of any savings achieved will apportion to the HRA.
Clearly define roles and responsibilities for the strategy development and delivery of Council wide projects eg Housing, Education.	0	<ul style="list-style-type: none"> • Cost of delivery already recovered from capital programme and HRA. • Ensure future delivery model is efficient and cost effective and avoids duplication.

Key

L – Low <£50k

M – Medium £50-£250k

H – High >£250k

9. CONCLUSIONS AND RECOMMENDATIONS

The table above includes indicative assessment of financial savings although many of the specifics are difficult or impossible to validate at this stage.

9.1 However in the first instance, the following is a reasonable assumption of what can be achieved year on year for the next three years.

	Additional savings	Cumulative Total
2016-17	£600,000	£600,000
2017-18	£400,000	£1,000,000
2018-19	£400,000	£1,400,000

9.2 Secondly, savings are against the Base budget for 15/16 and 16/17

9.3 Thirdly, the above figures exclude any potential savings that can be derived from the reduction in the number of assets that the authority maintains. Until decisions are made on a case by case basis it is impossible to include any assumptions within the budget savings targets. However, it is not unreasonable to assume that additional savings could be made via this process.

If the above three suggestions are approved a 50% reduction would be achieved on behalf of CB&PS.

Please note:

- In addition to the general fund savings shown above, the actions listed in the report in relation to Housing activity would also result in a significant benefit to the HRA account. These will be calculated in due course
- Furthermore there are significant non-financial benefits to the wider outcomes contained within section 2 including the impact on local employment, apprenticeships and local supply chain.
- It is recommended that going forward both clusters and in essence the whole of Corporate Building and Property Services is delivered through an integrated and transformed in house model.
- If CMT and members are satisfied that the direction of travel of a transformed in house model is acceptable then further work will be required to establish a 'core work' threshold.
 - Currently 60:40 (Internal: External)
 - Propose move to at least a 70:30 (Internal: External) (Increase in T/O of £5m).
- New work would be prioritised where it is most cost effective (Table in 4.5) and sustainable beyond 2020.
- A further review will also be required to align a number of key actions and interdependencies such as:
 - Delivery of More Homes Pilot Project first properties complete by March 2017 completion of first pilot Summer 2017
 - Clarity of LGR
 - Implementation of transformation
 - Future model of delivery for wider council services (Social Services, Culture and Tourism).

10. **IMPLEMENTATION**

An implementation plan will be developed following approval of the proposed way forward by Cabinet.

Appendices

Appendix A: CB&PS Journey 2009 to Current

Appendix B: APSE Building Maintenance Performance report 14/15

Appendix C: Consultancy Firms- **Exempt**

Appendix D: UK Council Comparators

Appendix E: External Consultants Fees- **Exempt**

Appendix F: Other LA Fees- **Exempt**

Appendix G: Overview Scoring Sheets Building

Appendix H: Overview Scoring Sheets Property

Appendix I: Opportunities CB&PS