

**EFFICIENCY IMPROVEMENT AND TRANSFORMATION
PROCESS**

INTERIM OPTIONS REPORT

PROPERTY AND FACILITIES MANAGEMENT

November 2009

EFFICIENCY, IMPROVEMENT AND TRANSFORMATION REVIEW

PROPERTY AND FACILITIES MANAGEMENT

SUMMARY

This review has been commissioned as part of the Authority wide EIT process that is currently ongoing.

This review examines the procedures and practices that occur in management and operation of the building assets of Stockton Borough Council at the current time and considers alternative options for the delivery of the service, such that efficiencies will be obtained.

A current baseline level of service has been established following consultation with a number of individuals in the authority who have been recognised as having an input into the delivery of facilities management (FM).

This highlighted the need for a more consolidated approach for both the management of individual facilities but also to obtain greater consistency in the strategic approach for the delivery of the Council's Services geographically.

Recognition has been made of the Council's current Building Schools for the Future Programme (BSF) which has a model for FM included in it. This will be delivered by the appointed Local Education Partner (LEP) as part of the BSF process.

Cognisance has been made of the methods used by other Authorities (some of which have won national awards) in managing their assets. This identifies two common themes.

Firstly there is a degree of high level strategic management that looks at overall service delivery and matching that against the assets that are available, including consolidating services where possible into one building. This leads to a strategic view of which buildings are to be kept in the council's ownership and which are available to be disposed of.

Secondly the process of Facility Management has been consolidated into one team.

Early discussions have been held with two other councils in the area in relation to the way that they deliver FM and at least one of them would be keen to discuss a partnered approach. The proposed structure for future delivery of FM is very similar for all three Authorities.

Three options have been identified for future delivery of the service:

1. The provision of the service could be restructured internally, consolidating into one area. A potential option for this is included in Appendix A.
2. The service could be run in combination with other authorities in the local area.
3. The service could be outsourced.

It should be noted that the model provided in option 1 could be readily adapted for each of the other two options.

It should also be noted that there is some evidence that suggests that authorities that outsourced the FM delivery are now looking to bring it back in-house. It is for this reason this has been discounted at this time.

DESCRIPTION OF CURRENT SERVICE

Who provides the service

What is Facilities Management (FM)

There are a number of facets to facilities management that can generally be broken down into Hard FM and Soft FM; however it should be noted that there are a number of activities that can be considered in either category.

The industry defines Hard FM as the maintenance of buildings, engineering, landscaping and similar elements of an asset. The most recognisable elements being mechanical and electrical plant, air conditioning plant, building fabric, landscaping both internal and external and a number of specialist areas such as lifts, security systems, CCTV and water systems.

The industry defines Soft FM as the issues relating to the maintenance of a facility. The most recognisable elements being cleaning, security, catering, reception, telephony, helpdesk and reprographics.

In relation to the provision of the Facility Management service there are a number of groups and individuals often working in isolation. These are identified later in the report.

This report examines the provision of the Asset management and Facility management processes within the authority.

It is important when looking at potential opportunities to make savings to identify both the categories of asset that exist and also the services that are then provided. The following list identifies these categories that are managed by the authority along with the principal contact for each area. These individuals have been consulted and their views encompassed in this report.

The Current BSF programme, once implemented, will influence the FM requirements in the future. Similarly the current Workwise Review will also impact on the service and how it is performed.

Asset Categories

Administrative Buildings	- Mark Wardle, L&P
Commercial	- Paul Hutchinson, L&P
Community Transport	- Jamie McCann/Elizabeth Bird
Community Centres	- Stephen Shaw
Highways	- Not considered as part of this review
Housing	- Tristar, not considered as part of this review
Libraries	- Reuben Kench
Leisure	- Reuben Kench
Museums	- Reuben Kench / Paul Lake
Retained Premises	- Jane Matthews, CESC
Schools – Secondary	- Jane Matthews, CESC
Schools – Primary	- Jane Matthews, CESC
Schools – Special Needs	- Jane Matthews, CESC
Social Care	- Jane Matthews, CESC
Surestart	- Jane Matthews, CESC
Stirling House	- Jamie McCann, SS
Workshops/Depots	- Jamie McCann, SS

The individuals identified above have differing degrees of responsibility for the categories of facility stated; however there are occasions when the individual has a team of people working for them or on occasions a facility has an individual responsible for it (eg some libraries).

Whilst performing the role of a facility manager there are a large number of services that need to be considered and addressed as appropriate. Some of these services are provided through normal procurement processes from external suppliers (eg stationary) and some through internal arrangements (eg design services). The latter are often covered by Service Level Agreements.

The following identifies a potential list of services that may be provided for the assets defined above, broken down into Hard and Soft FM. Some of these services are procured from within the Authority and some externally. The procurement of these services will be considered later in the document.

Service Requirements

Hard	Soft	Asset
Legislative advice	Reception/Concierge	Facilities Management
Legionella/Asbestos	Mobile Phones	Strategic Planning
Building Surveying	Porters	Valuation
Insurance Inspections	Cleaners	
Energy	Security	
Planned Mntce	Window Cleaning	
Risk Management	Stationary	
Reactive Maintenance	Caretaking	
Design Services/PM	Catering	
Financial Management	Consumables	
H&S	Ground Maintenance	
HR	Recycling & Waste disposal	
ICT	Gardeners	
Removals	Furniture	
Spatial Planning	Fire Wardens/First Aid	

Whilst this list is very general and reasonably extensive, is not complete. As such there will be other services that can arise on specific occasions from time to time.

History how service was formed and why it exists

All of the assets need ongoing maintenance and in addition, as the function within a building changes and develops, alterations can be required to the fabric of the building. This can lead to changes in “ownership” and hence the way it is managed.

Whilst there is a general asset fund available corporately, facility management has generally been led by various services within Departments of the Council with no overall coordinated approach.

How is the service provided

There are two areas of the Authority that control the largest proportion of buildings, CESC and Land & Property.

Education, Social Care and Surestart facilities, under the heading of CESC, control the largest proportion of the Council assets and as such there is a team of people performing the function. This team evolved came together when the three areas were combined a few years ago.

The Land and Property Team has a similar role as CESC, managing another reasonable proportion of the Council's assets (eg administrative buildings), however the input required is significantly less than in CESC.

The remainder of the assets are managed on a more individual basis as the facilities are smaller and hence an individual manager takes up the role.

Under each of the above, the end user generally approaches the person with lead responsibility to arrange for works to be carried out. However it is noted that anecdotal evidence suggest that this is not always the case and some individuals do 'their own thing'.

Furthermore when several departments occupy a building, there can be a series of individuals carrying out their own FM within the same building with no coordinated approach.

The process of managing an asset requires the procurement of the various services identified above. This study is not intended to examine the procurement procedures as this is being looked at as part of a separate review. However it has been recognised that there are potential savings that can occur if the procurement process and supply chain are rationalised.

There are a number of variations as to how services are provided. These include:

- Formal contracts negotiated at a regional level
- Formal contracts negotiated by other authorities and used by SBC
- Formal contracts negotiated by SBC and available to other authorities
- Formal contracts negotiated by SBC for sole use
- NEPO
- Partnering arrangements
- Internal and External Contracts with SLA provision
- Ad-hoc contracts and purchases

What influences impact on the service (political, social, economical, technological)

Central Political influences dictate the level of funding available to local authority and overall spending must remain within the prescribed limits, whereas local political agendas will dictate what services are to be provided within the authority and where these should be situated.

Technological advance have drastically changed the way energy is used in buildings and facilitates the recording and analysis of information. Building Management systems (BMS) can be operated remotely and optimise the energy usage within a building. This facilitates the adoption of Government Environmental Policies which are driving significant changes in the way we operate and manage or buildings.

The procurement of a LEP as part of the Building Schools for the Future programme will impact on the number of buildings that the Authority will directly need to manage as the secondary schools will be managed by the LEP. The BSF Facilities Management model will need to be considered as part of this work.

How does the service perform

Whilst there are different groups of people providing the FM service across the Authority, there is no standardisation of process and no common approach to the provision of the service. This is particularly appropriate where individuals act on their own without reference to others.

Similarly when individuals act in a part time FM capacity, as the role does not have a full time demand, they may not be aware of changing legislative demands which could put the authority at risk.

When an education facility requires work to be carried out by another internal SBC team, the CESC FM Team act as an intermediary between the Client (eg the school) and the delivery team which may be various departments of the authority. This can lead to a duplication of roles.

With different departments working within a building, inspections can be carried out in one area, only for the area next door to inspected two months later due to a lack of coordination.

In respect of the budgets for maintenance etc. departments / teams / individuals have generally had ownership of building or budgets hence again there is no overall coordinated approach to the maintenance of the buildings. This can result in buildings with generous budgets that do not necessarily need them and, in reverse, buildings with minimal budget when a larger budget is required. In addition this can lead to budget managers making sure that the budget is spent so that they don't lose the money in future years.

Similarly different groups operating in a building can often have their own budget to deal with the day to day operation of their teams (soft FM issues). This can lead to inconsistency of approach and can result in items being replaced when not necessary just to spend the budget.

It is also important to look at the overall assets available and ensure that these are utilised effectively. For example, if new furniture is needed in one location, there is no Council wide asset list that will show if there is spare furniture elsewhere in another department.

What does inspection tell us about this service

There is only a limited Strategic Approach to the use of SBC assets, limited standardisation of procurement and delivery of service.

What resources are used

The staffing levels for facilities management have been currently identified at various locations with potential for duplication of roles and hence inefficient working practices. This list represents the number of posts available not all of which are currently filled.

	FTE's	Of which are vacant
CESC	9.81	2
Land and Property	2	
Asset Management and Projects	1	
Energy Management	3.5	

In addition to this there are a wide number of other individuals who perform the services defined in section one.

Particular areas for review are Building Services, Design Services, Cleaning and Building Maintenance.

What assets are used to deliver the current service

Not Applicable

Are there any limitations or barriers affecting the delivery of the service

Within some departments it is perceived that some of the services required can be performed cheaper by going direct to the local market; however this can result in employing companies without the correct health and safety procedures, insurances, registrations, qualifications and even skills to carry out the work.

This has the potential of putting the authority at risk.

For any revision to delivery of the service to be successful, it is very important that the proposals are adopted universally throughout the authority.

If the service is outsourced or provided by a third party, how are service standards monitored

The service is not currently outsourced.

Could the service be provided through a different mechanism

There a number of options that can be considered and each has differing merits, however when considering each option, they should address the following issues:

The implications of BSF and the formation of a LEP

Provide savings in the facilities management processes

Ensure that funds are spent wisely

Challenge the need for under-used buildings and those with a with high maintenance liability

Consider buildings as a corporate asset

Address the cultural changes that will be necessary

In principle there are 3 options

1. The provision of the service could be restructured internally, consolidating into one area. A potential option for this is included in Appendix A.
2. The service could be run in combination with other authorities in the local area.
3. The service could be outsourced.

CUSTOMERS

Who are the customers and what are their needs now

The customers are generally the building users identified in the Categories section at the beginning of the document.

Their needs are that a serviceable maintained building is provided to allow the function within the building to be delivered in an effective and efficient manner.

How are service users consulted and how do their views shape delivery

There are annual discussions with regard to Service Level Agreements (SLA) with, Strategic Asset Management Group, Schools Asset Management Group. These are then incorporated in to the SLA's for the following year.

How satisfied are the customers

Within the time frame there has not been the opportunity to establish the customer views; however when capital or maintenance projects have been delivered by the Design Services team, client questionnaires are issued and comments received are generally positive but this relates to a project and not how the building itself as a premise is operated on their behalf.

It is also recognised that some data is presented to the DfES in relation to schools and to CIPFA for all buildings

How do you communicate with your users

Telephone, email, face to face, questionnaire

How are these services promoted / marketed

The FM service is only promoted through Heads of Service within their own teams. However the service providers promoted their own service through emails meetings and face to face contact. This results in a disjointed approach and is geared to towards service groupings.

What do Viewpoint Surveys/ internal audit reports tell us about the service?

As there is not a defined service group there are no surveys available

Are there customers who could use the service but don't

There are a number of users who don't buy into the service and it is perceived that a number of Primary School Headmasters would like to obtain a managed service.

Are there customers using the service who shouldn't be

Non have become apparent during discussions

Who are the customers of the future and what are their needs

The customers of the future will continue to be the asset end users, albeit if the service is combined either sub-regionally or regionally, the service will either grow or possibly contract subject to where the lead service provider resides.

What is likely to impact on demand for these services in the future

The volume of these could reduce as the Building Schools for the Future rolls out in the next few years and the Workwise Review is finalised.

Potential cuts in public spending may impact on service delivery.

What do complaints/ compliments tell you about these services

There is limited customer feedback directly about the FM elements of the service however there have been a number of positive comments received regarding the delivery of schemes by the 'collective team'.

AIMS & OBJECTIVES

Is the service required by statute

No

Is there a statutory level of service

A number of inspections and annual tests are covered by statute, eg legionella, gas testing and lift inspections.

Some inspections are not covered by statute but are covered by Codes of Practice, eg DDA, electrical testing.

Asset management data for schools must be reported to DCSF on a regular basis.

Is the service responsive or proactive or a mixture

Both

Is the service needed

Yes in some form to prevent the Council's assets from deteriorating.

What would happen if the service was not provided either in whole or part

There would be no long term strategic management of the Council's property assets with potential deterioration in assets and if the asset usage strategy is not coordinated this will result in higher maintenance liabilities and running costs for the authority.

How would the service react to new pressures

New pressures are arising through Climate Change in particular with more stringent testing and energy usage monitoring as examples. The facility management team would adapt to these and instigate appropriate action from the service providers.

What capacity would be required to deal with additional / new demands

This is unclear at the current time

Who provides a similar service to this using a different delivery mechanism e.g. external partnerships, shared services etc.

When considering the potential solution for an internally operated FM team cognisance has been made of the BSF model for facilities management proposed by Stockton BC. This has resulted in that shown in Appendix A. Other options have been considered by the team, however are not included in this report.

A number of other authorities have investigated and reorganised their asset management strategies and indeed a number have won awards. The methods chosen by each of these authorities has varied, however one common theme is to ensure that there is a high level asset management strategy in place that looks at building usage and potential building disposal. See Appendix C

Early discussions have been held with two other councils in the area in relation to the way that they deliver FM and at least one of them would be keen to discuss a partnered

approach. The proposed structure for future delivery of FM is very similar for all three Authorities to that shown in Appendix A.

How does the service fit with the overall aims of the Council

One of the principal aims of the authority is to deliver effective and efficient services. This proposal compliments that.

How does the service contribute to key policy areas

Maintaining well operated buildings facilitates the delivery of many of the Councils Policies. E.g. Health and safety, sustainability, DDA

What policies, plans and strategies impact on the service e.g. statutory, policy, function, other services

This is covered under other items.

Are there any political judgements / decisions involved in determining the level of service

As stated previously, the authority could chose not to maintain its assets. This will ultimately adversely impact on service delivery.

FINANCIAL / RESOURCE CONSIDERATIONS

What are the costs of the service

The salary costs of the service are in the order of £545k of which there is £75k in vacant posts. It would be expected that not filling the vacant posts will make an initial saving.

Capital and revenue costs

There is currently an annual expenditure of approximately £18m which is funded partly from revenue and partly from capital income. See Appendix B.

What is the level of 3rd party expenditure

Most of the expenditure goes to 3rd parties however approximately £3m stays within the authority as fees for professional services.

What contracts or other arrangements are in place (spend analysis)

There are a large number of contracts in place that provide varying levels of service, eg cleaning.

What is the Councils commitment to contracts / other arrangements

There a number of contracts in place that varies from procurement of services to lease arrangements.

Do you have any charging policies

There are a number of internal charging arrangements for the services provided.

How have Gershon efficiency savings impacted on the service and how is the service planning to meet future Gershon efficiency targets?

Most of the contributions to the consultation process of the Gershon Report focussed on Finance, HR, and ICT for efficiencies however other areas identified included 'estates management'.

How will the current financial climate affect the service?

The current economic climate does not provide the best opportunities to dispose of any excess assets, however in respect of the procurement of services there may well be savings to be made as tendered services are current relatively attractive.

It is expected that a Strategic Asset Review will reflect this and appropriate commercial decisions can be made.

How can you demonstrate that the service is cost effective overall?

This will need to be evaluated once the proposed delivery model is identified.

Do external contracts offer value for money?

There are various debates about the value of centralised FM contracts with some authorities bringing the work back in house, the main complaint from the end users that the level of

service has dropped significantly. This can happen with a new service but usually there is a follow on rise above that previously being attained

What do we need to change and why?

There are a number of reasons why changed is required, most of which revolve around savings, efficiencies, risk management and better service delivery.

What are the main drivers of change?

Cost savings

Risk Management

Consistency of approach and management

Efficient use and maintenance of assets

Demand management

Increased effectiveness and surety of service delivery

Appendix A

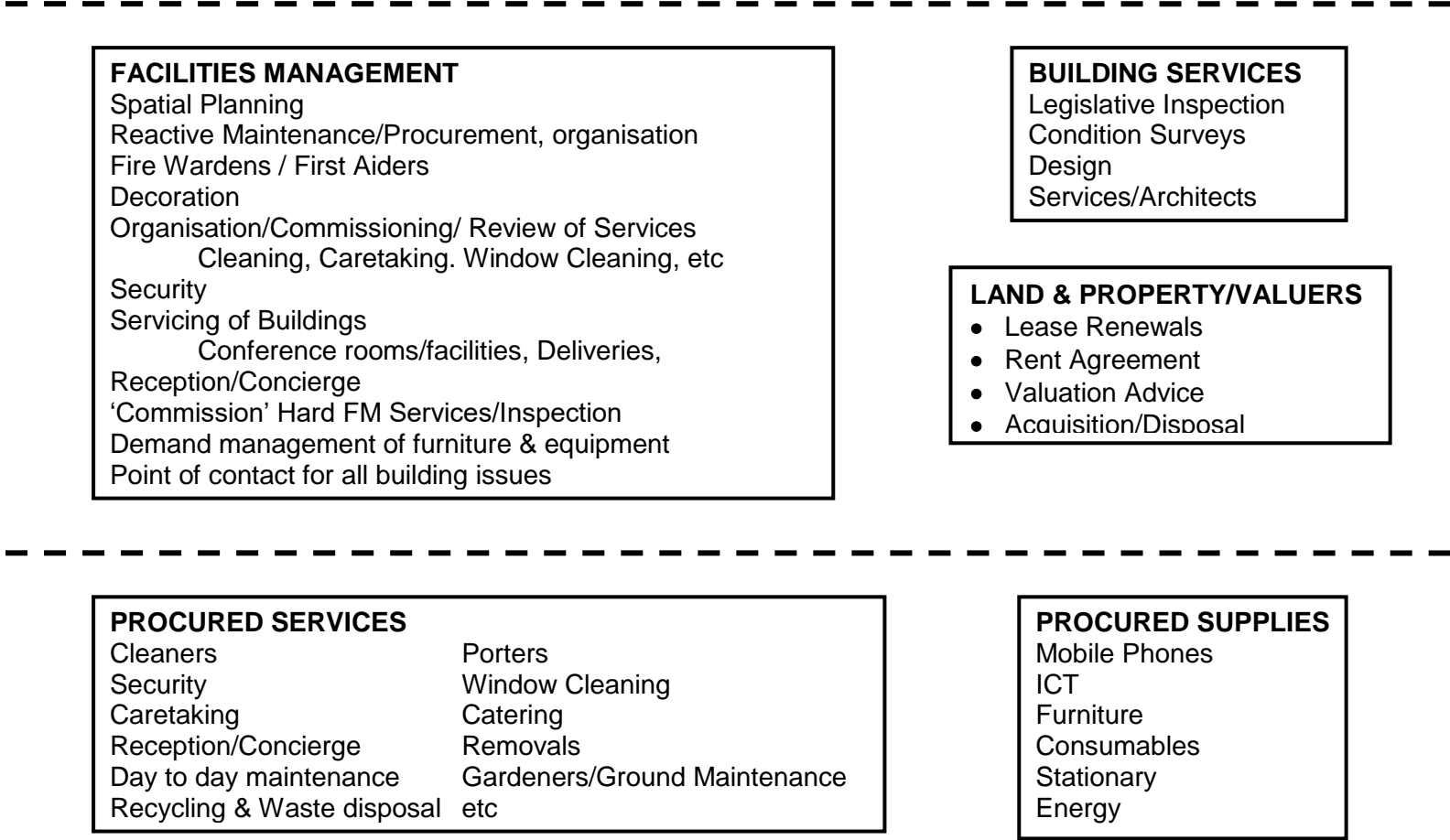
Option for the internal delivery of FM

Appendix A

Strategic

STRATEGIC ASSET PLANNING AND INVESTMENT TEAM	
Capital Strategy/Programme Development Asset Utilisation/Strategic Planning Rationalisation Plan Asset Management System Monitor Capital Programme/Schemes Integration of 'Service' Capital Plans and requirements	Developing Plans/Prioritise Works Control Funding and Allocate Resources Manage School Funding Liaise with Schools

Delivery



Appendix B

Premises Expenditure for 08/09
(£000's)

Account Category	SCHOOLS EXPENDITURE			NON SCHOOLS EXPENDITURE										Total
	CESC	D&NS	Total	CESC	Corporate	D&NS	HRA	JSU	Law & Dem	PPC	Resources	Xentrall	Total	
Alterations & improvements	£893		£893	£971		£352	£0				£70		£1,394	£2,287
Cleaning	£463	£27	£490	£375		£165	£9				£242		£791	£1,281
Furniture	£269	£39	£307	£188	£3	£104		£5	£2	£3	£31	£255	£591	£898
General	£75	£0	£75	£15		£8					£12		£35	£110
Insurance	£428		£428	£77	£4	£1,014	£8				£35		£1,139	£1,567
NNDR	£1,013		£1,013	£383	£0	£260	£3				£341		£988	£2,001
Other	£465		£465	(£26)	(£3)	£12					£0		(£17)	£449
Rent	£0	£55	£55	£632	(£9)	£337	£323				£154		£1,437	£1,492
Repairs & maintenance	£1,713	£42	£1,754	£666	£28	£373	£5				£273		£1,344	£3,098
Security	£62		£62	£16	£0	£18	£1				£3		£38	£100
Utilities	£2,669	£213	£2,883	£839	(£4)	£359	£10				£425		£1,628	£4,511
Waste disposal	£0		£0	£22		£5					£0		£28	£28
Grand total	£8,050	£376	£8,426	£4,158	£18	£3,008	£359	£5	£2	£3	£1,586	£255	£9,395	£17,821

Appendix C

Extracts from ‘Good Practice in Strategic Asset Management, Audit Commission, Aug 2009

Case 1- Wandsworth Borough Council

Overview

Wandsworth has managed to generate substantial savings from its estate, while at the same time reducing maintenance backlog and improving services for customers. This results from robust asset management planning procedures and a corporate approach to asset management. The central role of the Corporate Property Review Team has been the key to its success. The Council has used its estate to maximise capital receipts and generate revenue savings which contribute to a low council tax for residents.

Asset sharing

Currently, over 100 of the Council’s properties are either used by, or shared with partners from outside the Council.

Asset Rentals

Charging asset rentals to budget managers for occupying assets also focuses their attention on the potential for savings from alternative use.

Case study 2 – Sevenoaks District Council

Overview

Sevenoaks District Council has been able to secure capital and revenue savings from its estate over the past decade which other district councils of comparable size have not achieved. This is attributable to effective management and scrutiny processes and a challenge culture which has driven the need for a leaner estate.

MJ Awards 2009 Winners/Finalists/Commended.

Winner : Tenbeigh Council

From late 2007 Teignbridge Council embarked on a programme of asset disposal and management to ensure the council could best fulfil its corporate goals and improve service delivery, while also respecting the financial and community value of its assets. In its first year over £2.3M was raised, enabling reinvestment in regeneration and service delivery projects, and cutting maintenance costs. The scheme is an example of good practice not only because of reinvestment, but by ensuring the most appropriate buyers were found; protecting the future of many assets while enabling improved work in the areas customers identified as their highest priorities.

Finalist :Neath

The key aim of our accommodation strategy was to re-configure our assets and accommodation, to reduce the number of buildings, provide value for money for our citizens, and develop a sustainable portfolio. It was also about providing an accessible environment for our customers, and modern and flexible working opportunities for staff.

“So far, we were able to vacate 11 premises, many of which carried significant maintenance and operational risks, with a further 13 scheduled to close in the near future.”

Essex Facilities Management Services – Making it Happen

Creating FMS challenged the norm and strived for a new approach. Developing a more dynamic service with a refreshing approach based on a corporate professional Hard FM Services/ Risk Management perspective.

Leadership, values and the creation of a ‘Can do’ culture has enabled strong engagement and a one team approach, delivering significant results and an exemplar for the Local Authority sector. It also is key in the delivery of the EssexWorks vision to deliver value for money.

The Vision

To provide a professional corporate approach and end to end, property operations and Facilities Management services across the ECC portfolio, by leading, developing and agreeing relevant FM policies, allowing Service Directorates to concentrate on their core business functions.

Few other County Councils are taking this approach on this scale. Facilities related services tend to be uncoordinated and managed by Service Directorates, in an ad-hoc disperse manner, or organised in a traditional Asset/Property Care central function as an outdated concept on a rolling time based format.

FMS at Essex challenged this norm and strived for a new approach in this sector, promoting and developing a more dynamic model, thus providing in a refreshing approach and ethos to encourage innovation. Being such a large and diverse Local Authority portfolio, Essex is considered to be leading the way in this approach by bringing the functions together to manage FM corporately and from a professional Hard FM Services/ Risk Management perspective.