

Overview & Scrutiny Committee Update: Property Services January 2013

1 – Property Services Restructure

1.1 Property Services is going through a period of wide scale change further to the Public Value Review (PVR) and subsequent recommendations for improvement. This has included the creation of and recruitment to new roles as part of a wider restructure. The new organisation was launched on 1st November 2012, marking the go-live of “Property” from the previous EPM Service. Most of the posts have been recruited to with a small number still vacant or in the process of current recruitment cycle.

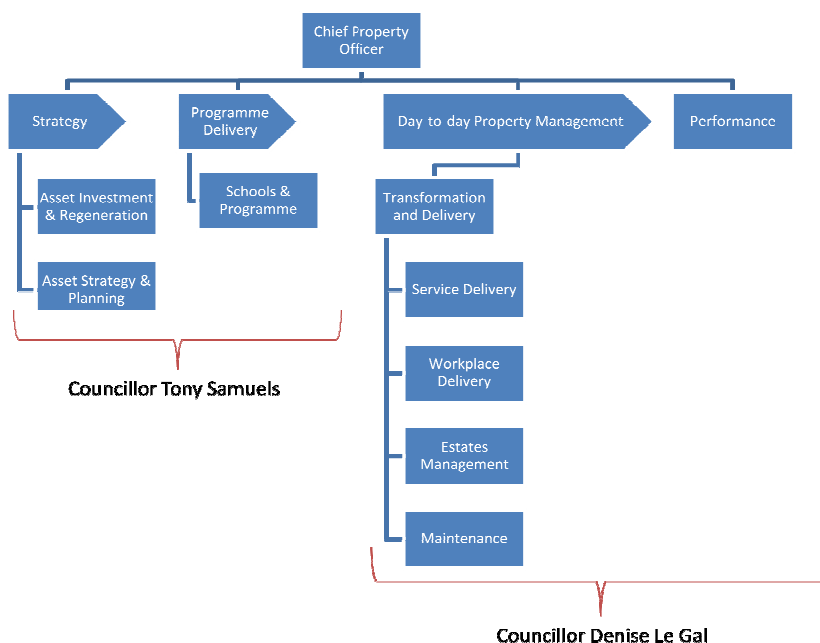
1.2 The new structure provides Property with:-

- clear lines of responsibility and a focus on function.
- clear role definition
- a reduction in staffing costs through lower consultancy fees and less management tiers
- alignment of the function with the Corporate Strategy

1.3 As part of developing our new structure, Property services engaged with a broad range of customers on how the customer relationship model would work. In addition, the Virtual Team approach, as described in section 3, has received positive customer feedback since its launch in November.

1.4 The savings attributed to PVR Organisational Redesign amount to 375K in 2012/13 with an additional 150K saving in-year due to project consultancy staffing, totalling £525K. The pre-PVR structure can be seen at Appendix A.

Diagram 1.5 - Property Organisational Structure



2 - Maintaining and Developing the Estate

2.1 At the core of Property Services is the overarching aim of obtaining best value from our assets and enhancing the current portfolio. Responsibility for maintaining the estate sits with the Delivery function. The Performance Team supports the function in providing performance and financial data for decision making.

2.2 The new structure recognised the need for continuous improvement of the service by the inclusion of change elements into the senior Delivery role. By making this a part of Delivery, we ensure its success and create a culture of improvement being at the heart of what we do.

2.3 Councillor Denise Le Gal's Portfolio includes day-to-day property management through Delivery and Performance teams.

2.4 The vision for Property Services is to

Be a catalyst for Economic Development and Regeneration within the County, through investment in existing and new opportunities that will drive new income streams and enhance value for money from existing assets.

2.5 The Vision will be achieved by meeting strategic targets defined by the Asset Strategy and Investment teams. This will include development of the estate and expansion of the Portfolio. Expansion and development is the focus of the Programme Team through major schemes both in schools and non-schools (corporate).

2.7 Councillor Tony Samuels' Portfolio includes Asset Strategy, Regeneration, Investment and Programme Delivery.

3 - Virtual Team Approach

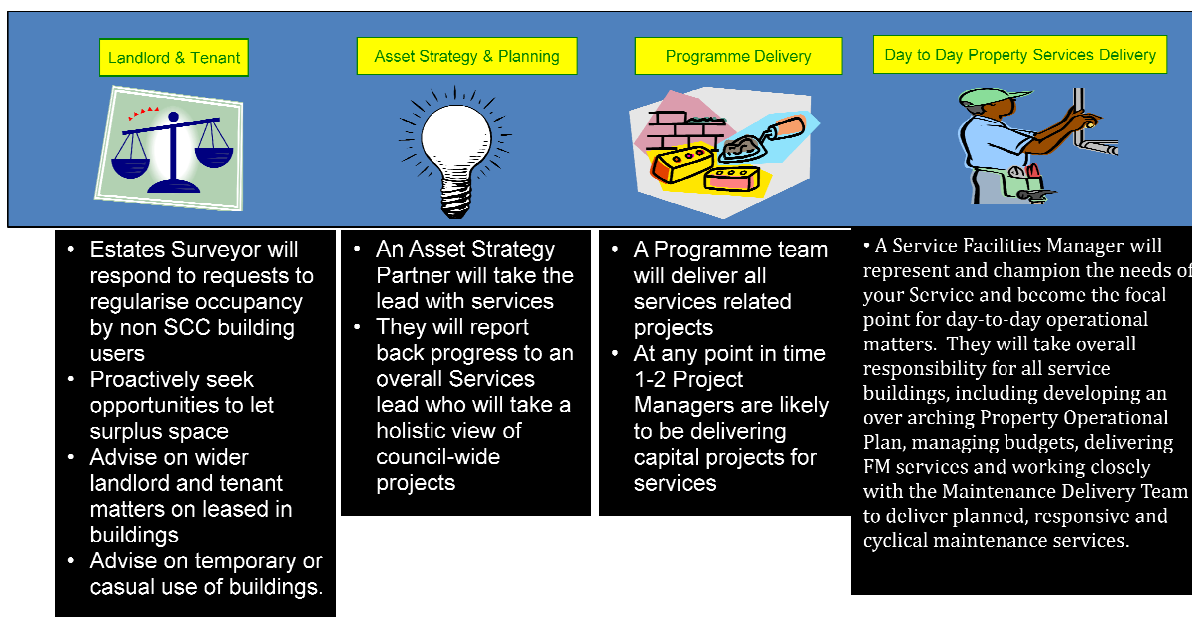
3.1 To support service delivery, a virtual team approach has been adopted. This is based upon the premise that in order to deliver a range of property services to the customer, equally a range of professional skills are required.

3.2 Other service divisions within the Council are supported strategically by Property in order to help them formulate their direction over their requirements from Property assets; be that with an operational or non-operational focus, and with a view both on their current and future aspirations. This is driven through an Asset Partner.

3.3 In addition, a Property Service Facilities Manager represents and champions the needs of the service, becoming the focal point for day-to-day operational matters.

3.4 Other skills which form part of the Virtual Team include Senior Surveying covering landlord and tenant issues and Programme Delivery for major schemes.

Diagram 3.5 – Property Virtual Team – what each team member does and how we support our customers



4 – Strategic Asset Management Plan (SAMP)

4.1 Property Services have developed a Strategic Asset Management Plan which sets out our strategy for asset management into the future and highlights areas for immediate improvement or action.

4.2 The plan is at final draft stage and is out for consultation. Consultation has already occurred across key Officers and with various decision makers across the authority.

4.3 The SAMP is due to be presented to Corporate Overview and Scrutiny Committee in March for proposed commentary and approval with a view that it may be finalised at the end of March 2013. It will be produced in both printed form and available via our website.

4.4 The SAMP action plan, which forms part of the strategy, incorporates a number of actions for Property Services covering asset management, further improvements and core priorities for Property such as implementation of the Property Asset Management System (PAMS).

5 – Property Asset Management System (PAMS)

5.1 A review of property information systems used by Property Services was carried out in 2010. It concluded that the main systems in use, SAP Real Estate and Plant Maintenance, were inadequate and had significant gaps in functionality that made it difficult to carry out the day-to-day

management of the estate, manage its performance and support property strategy. A business case was put forward to procure and implement a new system and this was recommended by Investment Panel.

5.2 Hampshire County Council also had a requirement to replace their SAP system with a specialist property management system and we subsequently agreed to a joint procurement and implementation with synergistic benefits to both Councils.

5.3 The procurement phase of the project concluded at the end of June 2012 with the signing of a Framework contract with Atrium Property Systems. The award of contract had been delayed due to tender challenges.

5.4 The implementation of PAMS will go live incrementally starting on 1st April 2013. The milestone delivery dates can be seen at Appendix B.

6 - Property Services Cost Savings 12/13 – 17/18

6.1 Property Services savings are comprised of a mixture of in-year and multi-year incremental savings.

6.2 In-Year savings for 12/13 include those attributed to Procurement in particular savings for areas of maintenance and business rates - £300K. Those derived from Energy Bill challenge of £200K and Consultancy staff savings of £150K.

6.3 Savings around Organisational Design and Energy Usage Reduction, plus those delivered through the MAD programme provide incremental savings from 12/13 up to 15/16. The 12/13 saving for these areas, supplemented by additional income targets, amounts to £3,274K, with further savings of £3,736K to be achieved in later years.

7 – Rental Income Improvements

7.1 Up until 2012, the financial responsibility for reporting on rent income rested with individual Cost Centre owners across the authority. However, in most cases the Cost Centre owner has little involvement towards the property rent negotiation and collection process. Going forward this process will change, with reporting on income being the sole responsibility of the Estates team, where the income is received. This will greatly improve the budget monitoring process.

7.2 In preparation for the new Property Asset Management system, all data including leases are being thoroughly reviewed and cleansed to ensure the right information is uploaded into the new system. Data collated is being cross referenced with that held on SAP to get a clear and consistent picture.

7.3 Implementation of PAMS will enable additional reporting capability especially important in the areas of debt profiling and breakdown. This will assist our staff in further improving the aged debt picture.

7.4 The Estates team has focused energies on improving Property Services Aged debt position and this has been assisted by the new organisational structure. Active management of debt has yielded positive results

- Aged Debt of £749K in September 2011
- Reducing to £267K in 2012
- Current Position as at January 2013 of £259K

8 - Capital Programme Management

8.1 The most significant challenge to capital programme management has been the dual objective of driving continuous improvement and value, through the design, procurement and project delivery process, whilst ensuring that our spend is maintained in line with the annual budget settlement. In 2012/13 we have achieved this objective and we are on track to spend our budget. The increased volume of projects being managed by the projects team is summarised below:

Table 8.2 - Projects Team Capital Programme in delivery

| | 09/10 | 10/11 | 11/12 | 12/13 |
|------------------|-------|-------|-------|-------|
| No of Projects - | | | | |
| Schools | 41 | 69 | 91 | 93 |
| Non-Schools | 16 | 11* | 7* | 18* |
| Total projects | 57 | 69 | 91 | 111 |
| Total spend | £33m | £54m | £39m | £44m |

** These figures include the Making a Difference Project, which included 64 office relocations (Relocation of 4,500 staff) and 10 Borough and District Partnership projects.*

8.3 In 2012/13 Property Services were tasked to develop a strategy to deliver significant savings on the 2012-17 MTFP Schools Basic Need programme. The strategy developed will deliver a 40% reduction (£116m) across the overall 5 year programme. The following initiatives and actions, delivered through the innovative Property Service Cluster Programme Office (as reported in our previous update), have been taken to deliver this target:

- Aligning Surrey specifications to the latest Dfe's base standards issued in October 2012.
- Revising cost targets for traditional build solutions to £1600m2 against the Dfe's £1626m2 (£1465m2 plus 11% Dfe Surrey location factor). An improvement on our previous target of £1704m2.
- Taking the Procurement lead for all projects, leveraging the 3 local authorities programme volumes to deliver a minimum 20% savings.

- Developing standard design templates and output specifications to drive lean efficiencies in procurement and reduce design costs
- Joined up engagement with the market and supply chain to maximise contractor performance
- Gateway review and challenge benchmarked to Dfe standards, covering design, cost and programme delivery
- Cost and time efficiencies through elimination of the use of Demountables (Temporary buildings) and replacement with a “modular light” system, with minimum 30 year lifespan and full planning, enabling greater use of modular solutions and further savings on schemes. Currently being tendered.
- Cost and time efficiencies through introduction of a “full modular” build system, to reduce further the traditional build approach. Currently being tendered.

8.4 The above improvements are calculated to ensure we meet the £244m MTFP 2012-2017 target. Our recent January review of the programme indicates that we are achieving this figure.

9 - Capital Budget Monitoring

9.1 In addition to the initiatives previously reported the following monthly review meetings have been introduced.

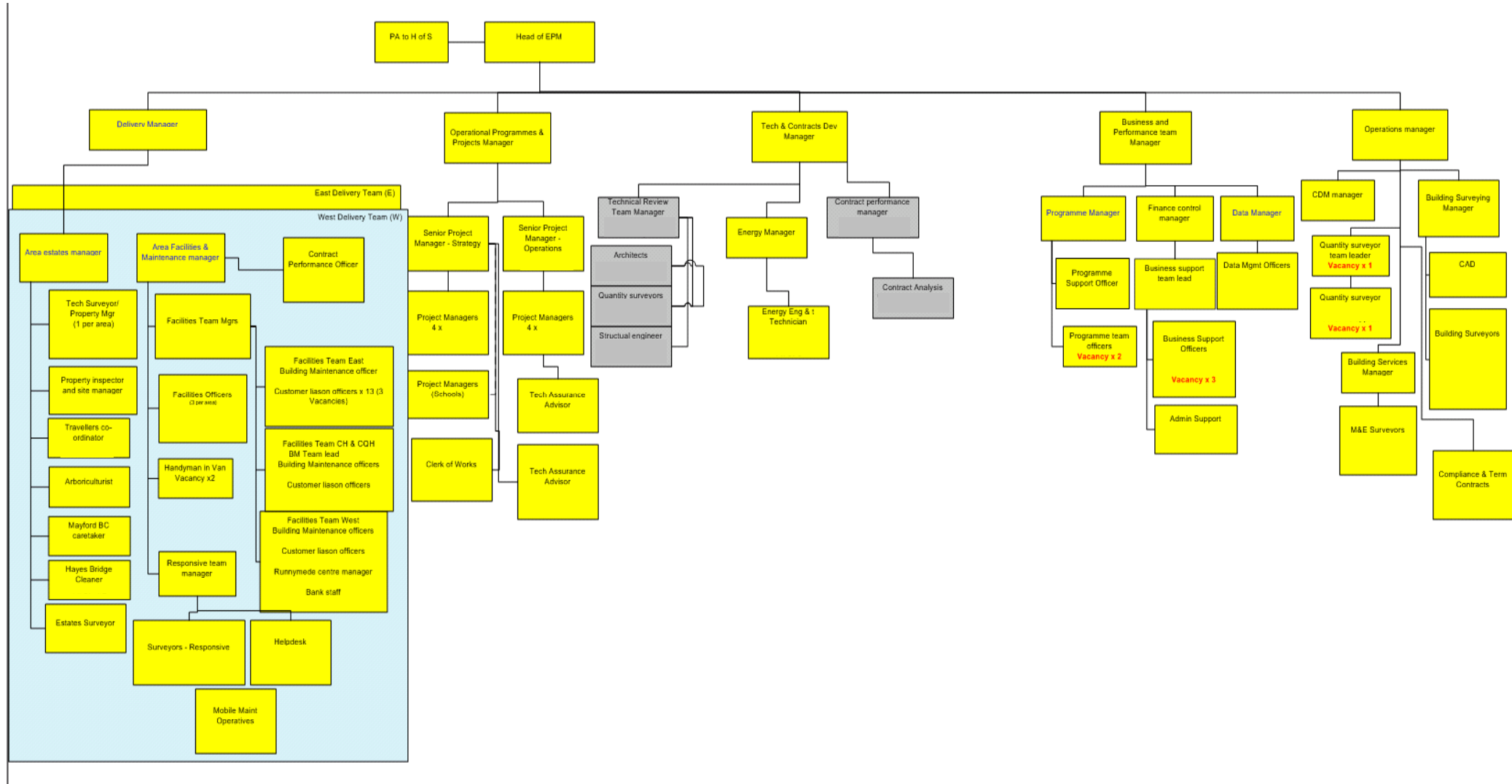
- Portfolio Member review with Councillors Linda Kemeny, Tony Samuels and Denise Le Gal, also present are the Schools Service, Finance and Property. These commenced on 30 January 2013
- Operational Meetings, a monthly review of the full programme by Property, Procurement, Programme Office, Design and Cost Management leads.

9.2 Further Improvements and Initiatives include:-

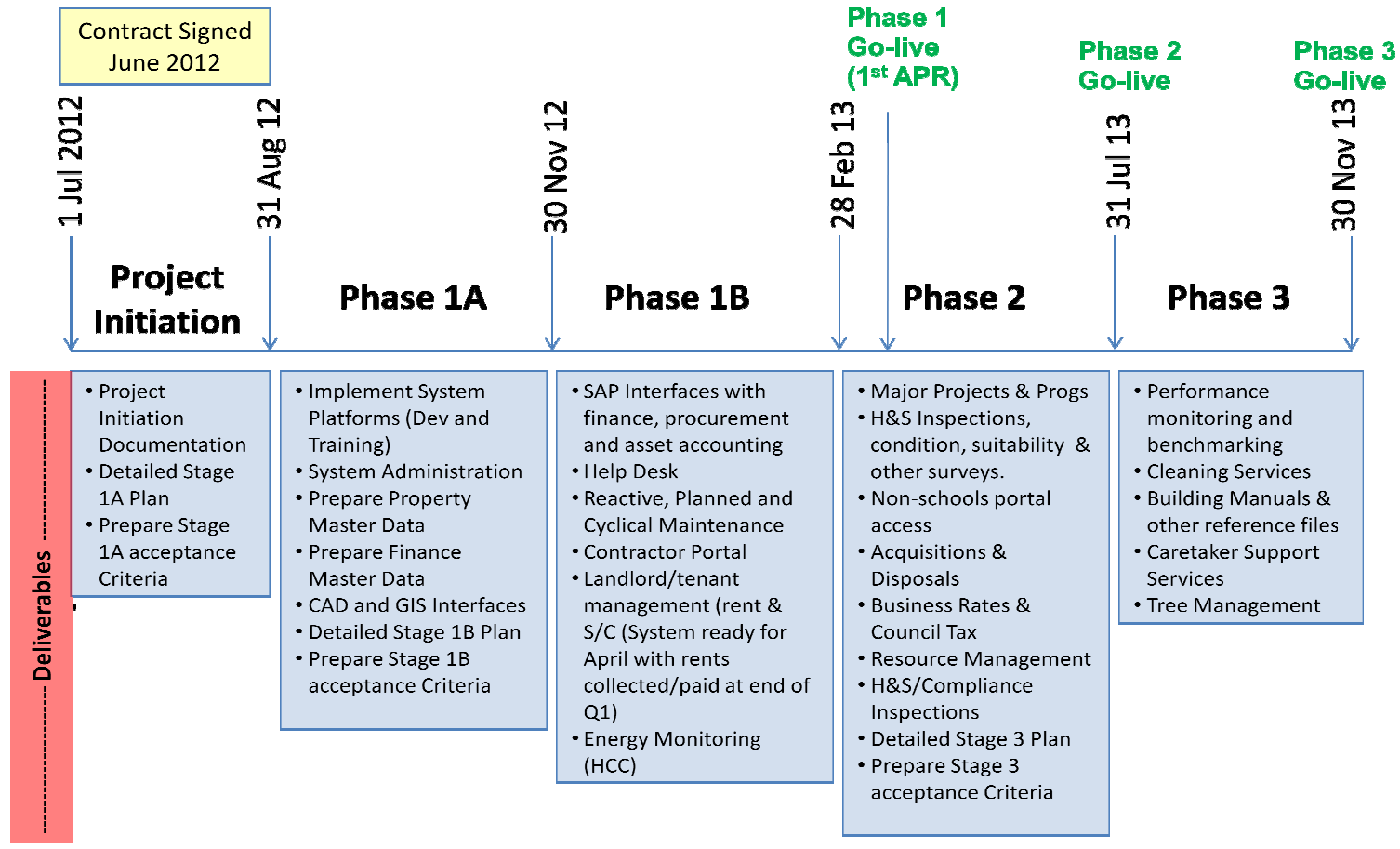
- Conducting a review of the benefits of introducing a Project Bank Account (PBA) Cabinet Office, Government Construction Paper 3 July 2012. There are significant benefits in a ring fenced account from which payments are made directly to the lead contractor and supply chain, enabling reimbursement directly within 28 days, further building upon SCC’s commitment to the SME supply market.
- A LEAN activity review, which commenced in October 2012, and started with the development of the standardised design templating. The review is ongoing and will include rollout of the new Dfe base standards. This development will be undertaken in conjunction with the Schools Service from February 2013.
- A PVR of the SBN delivery process commencing March 2013

9.3 The Property Services Cluster Programme Office approach has been recognised by the Cabinet Office as an exemplar and pathfinder model within Local Authorities and is currently being reviewed as a trial project under the Government Construction strategy two stage open book procurement process. Characteristics of the model and approach are: Lean procurement, early contractor involvement, integration of the supply chain, relationship management, output and outcome specifications, cost targeting and quality assurance.

Appendix A – Pre-PVR Estates and Property Management (EPM) Structure (excluding Asset Strategy Team)



PAMS Implementation Timeline



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