

TO: Executive Board

DATE: 15 October 2009

REPORTING OFFICER: Strategic Director – Corporate and Policy

TITLE: Property Services Review and The Way Forward

WARDS: Borough Wide

1.0 PURPOSE OF REPORT

1.1 To seek the Executive Board's approval to commence the process of market testing the Council's Property Services. The report outlines the background to the recommendation and makes a number of other associated recommendations.

2.0 RECOMMENDED: That:

- (1) a 'soft' marketing test exercise be undertaken as outlined in the report;**
- (2) caretaking and market management remain within the retained service;**
- (3) expert advice be engaged to ensure any future delivery model provides the best value to the Council; and**
- (4) work commence on identifying and developing an in-house strategic/client management function to manage both the transition and any new contract arrangements.**

3.0 SUPPORTING INFORMATION

3.1 As part of the Council's Efficiency Review, KPMG identified potential savings to the Council by changing the way it delivers its Property Services and recommended that some specialist input be brought in to examine that further. To that end the Chartered Institute of Public Finance and Accountancy Property (CIPFA) were commissioned to examine this work-stream in more detail.

3.2 CIPFA looked at the work undertaken by Property Services, relevant documentation, performance, spoke to Property Services staff, Senior Management in the Council, together with some client officers and Council Members. In addition, they spoke to a number of neighbouring authorities in relation to their methods of executing Property Services Functions. Members should note that CIPFA did not examine in any

detail non property activities such as BSF, major projects and landscape design.

- 3.3 The report concluded that the fundamental issue for Property Services is that in spite of there being no specific supporting evidence, ie performance indicators, of poor performance there was nevertheless a poor perception of the service. CIPFA'S recommended solution to resolve the problem was to outsource some elements of Property Services, these mainly being the operational elements whilst retaining an in-house strategic function along with a client/contract role. The report left open a number of areas for further consideration by the Council which included care-taking, cleaning, markets and support to Major Projects.
- 3.4 The CIPFA report examined the existing arrangements and methods of delivery. In addition to the perceived poor performance the report also concluded that there were a number of weaknesses at a corporate level in the Council's Asset Management processes. It gave a priority weighting to a number of issues to improve the Council's approach towards its use of property, particularly the need to more effectively and strategically manage its assets across the Authority. Certain issues are now being addressed by the Asset Management Working Group, including a sub-group to specifically address the items highlighted in the report. This has been recognised in the increased Council's Use of Resources Score for this area for 2008/9.
- 3.5 The report also concluded that since the departure of the Operation Director of Property Services there was no clear leadership or figurehead for the department within the Council. The other main finding was that it was clear the department was also under resourced given the workload demands from the Council's programmes and priorities.
- 3.6 The report considered a number of options for the delivery of the services from doing nothing, increasing internal resourcing, various types of outsourcing and strengthening the senior management of the existing department. All these options were rejected by CIPFA as not dealing with the fundamental issue of poor perception as such they recommended outsourcing as the change required to address that.
- 3.7 Within the body of the report reference is made to some specific areas and whether they should remain in-house or be outsourced. Further consideration was required before a recommendation could be made as to where they would best sit. The views of other authorities have been sought on how they addressed all areas of work and, taking advice from other areas of the Council, it is suggested that caretaking which is generally considered a central function should be retained. Markets by tradition are a Council provided service and there is little merit in outsourcing as many of the matters relating to the Market would have to be dealt with by the Council. Other authorities who have

outsourced Property Services have retained the Market Service in-house. Cleaning, which is not currently part of Property Services, is more of a facilities management function rather than a core service of the Council. Any decision about the future of Cleaning Services is not seen as a fundamental part of this review. However, there is an opportunity to clarify client/contractor relationships in future arrangements.

- 3.8 There are other areas not mentioned in the report but which could be considered for outsourcing, for example complimentary property functions currently being carried out by the Children and Young People's Directorate in support of schools and Landscape design services.
- 3.9 The activities which are recommended to remain inhouse are the Client/Contract Management and the Strategic Management function. This would provide a small core function within the Council.
- 3.10 A detailed list of the functions carried out by Property Services has been drawn up in draft following this recommendation of where the responsibilities should lie if the CIPFA model is adopted.
- 3.11 In the consultation exercise with other authorities the major issue that was stressed by all was the need to ensure that the in house team was adequately resourced in order to successfully carry out the retained functions and to effectively manage the outsourced elements. It is also recommended that as a part of this team there should be a strong, qualified and experienced property professional Client and Contract Manager, who should be involved with the specification and contract process to add clarity, protect the Council, avoid expense at a later stage in the contract and ensure delivery of a value for money service.

4.0 THE PROCUREMENT ROUTE

- 4.1 If the Board were happy to pursue the approach recommended in this report, there are several options of procuring the contract:
 - (1) Go through a full competitive tendering process through the OJEU process. The minimum timescale via this route would be in the region of 9 to 12 months. The cost of this procurement route would also be a major factor and, as such, this process may not meet the Council's targets and aspirations.
 - (2) Use the OGC framework contract. Initial enquiries about this option indicate that it may be a possibility but it is understood that legal constraints would only permit a short term solution (3-5 yrs). Also looking at the suppliers on the OGC framework it may be that several companies would be required and Property Services would be fragmented with separate contracts for Estates, Building Surveying, Property Maintenance etc.

- (3) Joint Venture with a partner such as NPS (Norfolk Property Services). This would provide a quick solution with the Council retaining an interest and benefiting from a share of any profits but without the daily management responsibility. This route has been successfully used by a couple of neighbouring authorities, both Wigan and Stockport respectively. NPS have a public sector ethos as they are wholly owned by a local authority and, as such, it is more likely that contract arrangements could be put in place which would ensure that a true partnership working arrangement is created. There are clearly other organisations who may wish to offer similar arrangements.

The timescale for proceeding down this route are likely to be much quicker than the open OJEU process, the costs of the contract process will also be far less.

- 4.2 Given that there are a number of potential procurement routes available to the Council, it is suggested that the process commence with a 'soft' market testing exercise where the Council would advertise its intention to outsource the service, specify the extent of that service, and seek proposals from interested companies. This would help understand the potential numbers interested and provide the information on the types of arrangements possible. This would help ensure that the Council achieves the best value for money solution and considers all the models available.
- 4.3 It is further proposed that the Council engage some outside support with expertise in such process to advise as to the best course of action.

5.0 STAFFING MATTERS AND TUPE

- 5.1 The Council has invested heavily in its staff and they have a valuable knowledge base which needs to be protected for the long term benefit of the Council. The majority of the Property Department's staff would prefer to stay in house but if the decision is taken to outsource the service full consultation would be required. The major concerns of staff are terms and conditions, particularly pensions which will be similar at transfer but could then be changed with three months' notice. The joint venture route is more likely to offer protection of staffs' terms and conditions, as it is probable that on the whole these will remain similar.

6.0 POLICY IMPLICATIONS

- 6.1 There are no direct policy implications associated with this report.

7.0 OTHER IMPLICATIONS

- 7.1 Maintaining an effective service through any transitional arrangements will need careful management, particularly given the extensive programmes the Council is currently running with.

8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

8.1 Children and Young People in Halton

The provision of an effective Property and Asset Management Service is key to the Council delivering its priorities.

8.2 Employment, Learning and Skills in Halton

The provision of an effective Property and Asset Management Service is key to the Council delivering its priorities

8.3 A Healthy Halton

The provision of an effective Property and Asset Management Service is key to the Council delivering its priorities

8.4 A Safer Halton

The provision of an effective Property and Asset Management Service is key to the Council delivering its priorities

8.5 Halton's Urban Renewal

The provision of an effective Property and Asset Management Service is key to the Council delivering its priorities

9.0 RISK ANALYSIS

- 9.1 Any departure from the current method of working carries a risk to the Council. The risks are likely to be final cost, response times, communications, local knowledge, adequacy of specification, split responsibilities, diluted financial controls and corporate governance.
- 9.2 The CIPFA report suggests that the outsourcing option should be considered as cost neutral, however, no cost modelling or business case assessments were undertaken, nor did the report contain any supporting information to suggest what the likely future cost implications will be. The soft market testing exercise would test this assertion. A strong Client side will also assist.
- 9.3 Many contracts go astray because of inadequate or poor communication, inadequate financial control and ill defined governance leading to confusion and commitments being entered into without the full implications being known or understood.

- 9.4 Existing staff have built up a wealth of local knowledge, which needs to be retained, to ensure the smooth running of the current Council services, this is best done by ensuring good relations through partnership working between the Council and the service provider rather than traditional adversarial contractual relationships.
- 9.5 The specification must be comprehensive, clear and concise. There must be performance measurement with incentives/penalties. Financial systems will need to allow sufficient flexibility to the service provider so that timely and efficient services can be delivered, but will also need controls and scrutiny to prevent fraud and ensure value for money.
- 9.6 There must be a commitment from across the Council that any work or service which could be procured through a new outsourced arrangement is procured via that arrangement otherwise problems will soon occur.
- 9.7 With careful management these risks can be managed. However, an external provider will at best deliver the services they are contracted for. If the Council wishes to vary the range and scope of services there will be a price variation.
- 9.8 Outsourcing in itself offers no guarantee of improved perception, improved service, and lower costs.
- 9.9 Given these risks, it is suggested that external expertise be engaged to work with and advise the Council through the process.

10.0 EQUALITY AND DIVERSITY ISSUES

- 10.1 Any staffing issues arising out of this will be dealt with through existing HR procedures.

11.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

- 11.1 There are no background papers under the meaning of the act.