Nottinghamshire County Council

Report to Finance & Property Committee

19 May 2014

Agenda Item: 9

REPORT OF SERVICE DIRECTOR, TRANSPORT, PROPERTY & ENVIRONMENT

PROPERTY SERVICES PERFORMANCE UPDATE 2013/14

Purpose of the Report

1. This report provides information to the Committee on key action areas identified within the previous performance report in December 2013; a review of new and existing performance indicators and an update on the current capital disposal programme including the level and timing of potential capital receipts.

Background

2. Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972. Having regard to the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because divulging the information would significantly damage the Council's commercial position. The exempt information is set out in the exempt appendix.

Property Reviews

3. It was previously reported that as part of a continuing drive to assist with service delivery improvement a number of reviews had been commissioned :-

   CIPFA Assessment of Value for Money: This review has been completed and formed the subject of a separate report to the Finance and Property Committee on 28 April, 2014. Conclusions were generally positive. Further research is required on the delivery of the estate management function, the findings of which will be reported back to this committee.

4. Internal lean review: The Property Group volunteered for the Council's internal improvement team to a process review on repair and maintenance from identification of need to completion of work. The objective was to ensure that work flow is as efficient as possible. Members will be aware that the repairs and maintenance budget is strained due to repairs back-log and with a cut to the budget of circa £500k in financial year 2016/17, it is essential that all monies spent is used efficiently.

5. The results of the review are still awaited however; early indications are that the process is operating satisfactorily. It has been identified that better use could be made of the main contractor's electronic work tracking system, removing the need to provide duplicity of resource at NCC. Concerns have also been raised regarding the operation

of the Council's corporate business management system which is proving resource intensive for data inputting and extraction. Actions are already being taken to review these two areas in advance of the formal completion of the review.

6. Project Review: The Council is a shareholder in SCAPE and as a result was able to utilise some of the benefits offered by the organisation at nil cost. As the property group is significantly involved in delivering a variety of high value property projects, independent consultants are undertaking a review of project management. This will identify areas of strength and weaknesses and assist the Group in responding to new best practices that are emerging. The review is expected to be completed shortly.

Property High Level Indicators:

7. The previous report highlighted the need to consider the introduction of high level property indicators. The objective being that indicators should be reported upon that are purposeful and capable of being responsive to management.

8. Government best practice guidance on property Asset Management Plans recommends a series of high level property indicators that were established under the National Property Performance Initiative (NPPMI) and promoted by the Chartered Institute of Public Finance and Accountancy (CIPFA). In summary these currently cover the following:-

Condition and required Maintenance
Environmental/Energy Usage
The Suitability of Buildings
Office property within the portfolio
The Efficiency in utilising space

The benefit of adopting these performance measures is that it enables the Service to:

a. Evaluate trends in key performance over time.
b. Use objective data to actually measure property performance.
c. Benchmark with other organisations to determine respective property performance.
d. Use measures that have been approved as good practice and provide consistency of measurement across organisations.

9. A variation of these performance measures were extensively used across the full public sector estate prior to the onset of the financial crisis. With the reduction of property staff some public sector bodies have abandoned AMP principles including performance monitoring. There is now an increasing realisation that at a time of significant change, it is vitally important that an organisation has a thorough understanding on the performance of the property estate and from this information undertake effective management.

10. The results presented within this report will provide an initial benchmark from which targets can be set, trend analysis undertaken and measures adopted to improve

portfolio performance. Due to the physical characteristics of property, rapid change is difficult to achieve. To reflect this, it is proposed that these high level indicators are *reported upon annually* and these are supplemented by the local service indicators that are routinely reported upon to this committee.

Current Performance

11. The performance of the estate is outlined in the property indicators within appendix 1.0 that includes the most current benchmarking information.

12. **Indicator 1**: Condition and Required Maintenance

The details of this indicator have been extensively analysed as part of the development of the Repairs and Maintenance Plan (R & M) that it is anticipated will be presented to Members in May 2014.

Review Comment
The primary objective of the R & M Plan is to seek a greater alignment of the property estate to the agreed standard. This will be evidenced by the gradual removal of the priority works that fall below this standard and over time a better alignment of the planned to reactive repairs ratio of 70:30. The use of suitability modelling will assist in achieving this objective as those properties that are unsuitable for improvement are removed from the estate portfolio.

13. **Indicator 2**: Environmental/Energy usage

It is worth highlighting that due to organisational arrangements energy management is not a function of NCC's property group and is instead located within Waste and Energy Management. However, in terms of overall management of the estate and for completeness it is recommended that these high level indicators are included within this annual reporting process. Any additional reporting to this committee will be provided by the Waste and Energy Management team throughout the year.

Review Comment
Water consumption at present is not actively managed. Despite this it will be noted that consumption is significantly below the Local Authority average. Part of this may be due to water efficient appliances being installed as part of refurbishments etc. It is recommended that water consumption management is brought more into alignment with how energy is managed.

Energy and associated Co2 is above the benchmarked average. In order to facilitate an improvement the Council has in place the following initiatives:-

- A £1.3million recycling energy efficiency fund supporting investment in quick payback energy efficiency measure.
- A £1.8 million programme investing in solar PVs on county council buildings
- A £2million programme investing in new wood pellet boilers in county council buildings.
- A £1.8million Salix loan investment in a dimming programme and an LED replacement programme in street lighting.
- Considering energy efficiency as part of ongoing property rationalisation, management, design and refurbishment.

During the next 2 years (due to time lag for measures to take effect) the Authority should witness a reduction in energy consumption. Further initiatives will be presented to this Committee later in the year in order to accelerate this trend.

14. **Indicator 3**: Suitability

As part of the foundation work necessary to prepare a corporate asset management plan, the Property Group has developed a corporate suitability model that is shown in appendix 4.0. This model has been trialled and approved by the Corporate Asset Management Group for use. The aim is to have all non- school properties suitability assessed by June 2014.

The suitability information will identify those properties that are considered unsuitable and identify the reasons for that assessment. It will provide a key steer to whether it is economically viable to invest further in the property in order to achieve a required suitability standard or whether the property should be sold.

It is worth highlighting that the R & M strategy restricts R & M spend on those properties assessed as unsuitable to works that are essential to keep the property open and safe to use. This is to avoid excessive expenditure on properties if they are to be sold.

Review Comment
Until the suitability assessments have been completed it is not possible to determine a benchmark. However, the overall objective for a high performing estate is to only hold property that is considered suitable or mainly suitable. The CIPFA benchmark average for this standard is **75% of properties** within the portfolio.

15. **Indicator 4**: Office property Content

This involves three measures:-

(a) Office property as a % of the overall size of the portfolio
The assumption is that it is desirable to occupy a low proportion of office accommodation in order to deliver effective services i.e. overhead costs are minimised

(b) Average office floor space per FTE
This measure is linked to 4 (a). Office space should be used efficiently avoiding relatively expensive floor space being used for office storage and excessive circulation areas

(c) Annual property cost per workstation
Many organisations are unaware of the cost of providing desk space for employees. A better understanding of costs promotes more active consideration of alternatives such as home or flexible working and assists in removing surplus accommodation, lowering property overhead property costs

Review Comment
The results indicate that the Council occupies slightly below average percentage of its overall portfolio as office space yet provides a relatively large area of office space per

full time employee (FTE). This tends to suggest that NCC holds a relatively large percentage of non- office property and office space is not being maximised.

The **space occupied is in excess of the standard being achieved in other areas** of the public and private sector. Densities of 7-8 sqm are being achieved in the financial services sector and it is common for public sector bodies to impose a desk ratio of 7 or 8 desks to 10 staff. NCC through the Ways of Working (WoW) programme has refurbished offices using a 7:10 desk ratio. Failure as an organisation to address these space standards throughout the estate means the organisation is losing the opportunity to rationalise desk space and accommodation costs.

The average cost of providing a work station is proving problematic to calculate with some degree of confidence. Work is ongoing with the WoW programme to establish the correct figure for NCC property. It is proposed that this figure is reported within the next Property Performance report.

Action Point: The Council is currently in the process of developing a new operating model that will, as part of the process, review accommodation need. As appropriate there will be a challenge to service departments to operate from the minimum amount of accommodation in order to deliver the service to meet need. This is likely to result in a refreshed ways of working programme that will place an emphasis on efficient office space planning and the use of IT. The net result should be the rationalisation of accommodation and the down-sizing of the property estate. This action point represents work in progress.

16. **Indicator 5**: Sharing of Space

Section 21 of this report outlines in detail actions that are being taken to promote the sharing of NCC property assets

Review Comment

NCC has previous success in encouraging joint usage such as the Multi- Agency Safe Guarding hub at Mercury House and the more recent sharing of Sir John Robinson House with Gedling Borough Council. With the drive to achieve budgetary savings, it is appropriate that the sharing of property is recognised as a means of securing potential savings and progress is monitored through an annual high level indicator. While the percentage of space shared appears relatively low this should be considered in the context of the size of the estate.

(a) % of corporate office space shared 1% (1040 sq.m)
(b) % of all space shared across the whole portfolio 4% (60,500sqm)

Action Point: Continue with the asset sharing initiatives and review effectiveness in 12 months. It should be noted that at present there is no benchmarking information available to compare performance against other Local Authorities (LAs). During the next 12 months, the Property Group will consult with CIPFA and other LAs to seek to establish comparative information. However, the indicator alone is a useful ‘tool’ for trend and improvement analysis.

Local Existing Performance Indicators

17. The indicators reflecting the performance of the Group are outlined in appendix 2 and 3 and include a commentary explaining the reasons for the relevant out-turn. Particular points to note are:-

Customer Satisfaction

18. An excellent end of year out-turn has been achieved with all targets being significantly exceeded with a considerable upward improvement trend noticeable during the second part of the reporting year. It is suggested that some of this improvements is due to work undertaken since the last report that has focused on ensuring there is improved communication between client, end user and the service delivery team to resolve early any issues.

Project Management

19. Predictability against Constructing Excellence Indicators reflect a mixed performance.

PROP04b- These figures continue to track below the target because of the ongoing effect of the abortive costs around the Edwinstowe Respite Centre project. A further cumulative effect is the change of design and procurement route on the Schools Basic Need 13 programme which drove costs below target. In a number of instances (Gilstrap Centre as an example) approved changes to scope after commit to invest have driven costs up.

PROP06b- These figures are below the target because of the effect of a relatively small number of projects. In particular the effect of the Edwinstowe Respite Centre project that has been through a number of redesigns and reviews along with the Archive refurbishment and Bingham Library projects that were redesigned to reduce capital costs, have all contributed to driving the keeping Design time below the target.

Health and Safety

20. There are two areas for concern that relate to Legionella monitoring and Asbestos reporting. The main cause for under- performance in both of these areas is due to the transition from the previous electronic property management system known as P2 to the Corporate BMS system. The new system is causing a resourcing issue and the ability to extract required information is proving problematic. System improvement is being investigated however this is unlikely to occur within the next 3 months. In the meantime measures are being introduced within the property teams to minimise risk associated with health and safety in these areas due to the back-log of information.

Asset Management Planning and asset sharing

21. One of the core improvement areas of work for the Property Group is the development of Asset Management practices to ensure the corporate property estate is managed as effectively as possible to meet strategic and corporate objectives.

A two year work plan has been established that will lead to the development of a strategic long term asset management plan. This period of time will be necessary to effectively work up key components that will help inform the AMP. The first stages that required progressing and completing by spring 2014 were:-

Resurvey of non-school properties to develop accurate and up to date condition survey information from which property condition and back-log repair information can be established- **Completed December, 2013**

Development of a corporate wide and consistent suitability assessment model that will be trialled with property holding departments- **Completed December 2013**

Development of a repairs and maintenance strategy- **Completed April 2014**

2nd stage covering the next 6 months

Completion of suitability assessments for all non- school properties **by June 2014**

Agree new suite of property performance and service delivery indicators- **High level indicators established local indicators require further development**

Identify asset categories that require urgent review **by August 2014**

Complete area mapping of partner assets **by September 2014**

22. Traditionally asset management has been undertaken in isolation with neighbouring partners. This often results in missed opportunities to improve joined up local service delivery and maximise occupancy of buildings. The Property Group will be aiming to explore and promote joint asset management planning. The One Public Estate pilot scheme which was formally announced by Central Government in the March 2013 Budget, and given added impetus in the June Spending Review provides an opportunity to progress this principle. The aim of the initiative is to encourage local councils to work with central government and other public sector organisations to share buildings and re-use or release surplus property and land. The City Council has been selected as a pilot however; the City has recognised the benefits of extending the initiative county wide and as result NCC is a key participant. The County Council is leading on mapping all partner properties to assist in identifying hot spot groupings which identify opportunities to merge the use of assets. An initial sample trial on this exercise was completed last month. Partners will now be asked to export their data to the system for uploading.

23. In addition as part of this work, property officers are meeting with partners on a monthly cycle to directly explore and progress any opportunities for asset sharing. The results of this work will be reported to committee as part of the future property update reports.

<u>Design and Delivery</u>

24. Design technology (Building Information Management system BIM) has now been updated which going forward will give clearer information for clients to view completed projects which will have electrical and mechanical design details over laid. Training in the new technology is being delivered on a phased basis across the team and in future all larger projects will be delivered using the new technology. Basic-Need programme design fees continue to be 5% lower than projects previously delivered by traditional design methods. The operations team are delivering larger projects in addition to day works which has increased the efficiency of the team and the delivery of many excellent projects. Recent examples of successful projects are Newark Library and Willoughby on the Wolds Primary School.

Schools Basic Need Programme12/13

25. All projects scheduled for delivery by September 2013 have now been completed. The majority of the works on other projects in this programme have been invoiced and early indications are that the programme has been delivered within the targeted time and cost. The design team are continuing their work on standardised design which has to date delivered savings from reduced fee levels in the region of £400k. Fifteen projects form the 13/14 School Places programme which includes Chuter Ede/Fernwood phase 2 and Pierrepont Gamston.

Schools Capital Refurbishment Programme

26. All projects from year 1 are now complete. There are 3 projects from year 2 still to conclude with approval from the programme executive board. The programme for year 3 has been re-profiled in order to accommodate the requirements of a number of schools who for various reasons are only able to make the building available during school closures. The programme for year 1 and 2 have expended 94% of the budget to date and 74% of the year 3 budget has been utilised.

Capital Projects

27. In addition to the main school programmes the Group has a number of significant capital schemes that are being progressed and these are detailed below:-

- Heyman Annexe: Budget estimate £6m, commenced 21st January 2013. West Bridgford House has been demolished, the key stage 1 building and Multi Use Games Area were handed over 1st October and the main site handed-over on 14th January, 2014. The refurbishment works are now ongoing in the original school building.

- The Big House: £2.7m project to build a new respite care centre for children, the start has delayed but work recommenced on site week commencing 31st March 2014. During the interim period enabling works on bat and amphibian rehousing and knotweed control commenced. The build duration will be 11 months. Works required to the existing Big House which are imposed via a planning condition will involve an expenditure of approximately £280,000. A separate capital funding bid will need to be submitted to cover this anticipated expenditure. At present there is no budget allocation.

- Worksop Bus Station: £2.9m project for construction of a new bus station estimated start time June 2014 with an anticipated end date of February 2015. Planning drawings have commenced.

- Archive Centre: £2.6m project to extend existing archives building with improvements to existing air conditioned storage and the addition of cold and frozen storage facilities and improved new facilities. The start was delayed due to target cost issues but these are now resolved and the project commenced on site April 7th.

- Clayfields: £0.8m external Design and Build project to construct a training building which is being delivered by Gelders. The works are on site and running to plan and the additional work to the reception will commence shortly.

- Bingham Library: £760K project for the provision of a children's centre and library refurbishment. The enabling works to decommission the old Health Centre has concluded. The application for planning permission has been submitted and work is progressing well for building Regulations.

- Beardall Street: £5.1m new build primary school to replace existing school with increased capacity to absorb additional pupils from the new housing development in the East of Hucknall. Commenced 15th October 2013 with completion due on the 29th August 2014.

- Fernwood: £2.1m second phase of the new school. Phase 2 of a 3 phase project commenced 14th October 2013, to be completed 18th August 2014 revisions to Planning Conditions approved.

All of the above projects with the exception of the Big House are on Schedule.

Capital Disposals

28. As part of the budget setting process each year, a target is established for the amount of capital receipts it is anticipated will be achieved from the sale of surplus land and buildings during the next financial year. The target is set by considering the total number of properties that will be marketed during the next 12 months and based on various factors such as market conditions, the strength of demand for particular types of property etc. an assessment is then made of the likelihood of these properties being sold during this period. The target is then set for each year based on the assessment of risk and an estimated sale value of each asset. As Members will appreciate for various reasons the actual number of properties that are sold within the 12 month period will, despite this assessment process, almost certainly change during the year. Prospective purchasers may for example withdraw for a variety of reasons or attempt to renegotiate the terms of the sale in which case the sale may be delayed or one or other party withdraws and the property has to be remarketed. Some sites which are sold for development are complex and in order to maximise the receipts most are sold subject to planning permission being obtained and various surveys being carried out, this can however, also impact on the estimated timescale for completion of the sale.

29. Development sites represent in value and number terms, the largest source of capital receipt generation. Property has on-going, regular and very positive dialogue with all the District Councils, in order to promote its strategic land holdings. As a result of this on-going planning work, the Council has achieved significant success in both bringing forward valuable sites to sell for development and protecting the Council’s long term interests. Future projections therefore rely heavily on the successful disposal of a small number of large development sites. In the event that the estimated timeframe for the disposal of any of these key sites slips it can have a disproportionate effect on the capital receipt projection.

30. Capital receipts are therefore monitored closely throughout the year during regular monthly meeting between property and finance and the revised estimate of receipts for the year is regularly reported to Finance and Property Committee as part of the budget monitoring process. In addition to further improve the accuracy of the capital receipt projections, key disposals are more actively monitored with regular reports being presented to the Capital and Asset Management Group on progress with measures identified and agreed to mitigate risk, such as considering alternative methods of sale

and the payment of non- returnable deposits once a draft contract is issued.

31. The capital receipts out-turn for year 2013/14 along with future year projections is shown below. Additional detail on some of the key asset disposals is set out in the exempt section of this report with an explanation on the reasons why the variation from target occurred.

	2013/14	2014/15	2015/16	2016/17
MTFS Target	2,511 (6,047 original)	15,012*	15,710*	8,287*
Max Projected Potential Receipts	2,461 (Actual achieved)	5,948	11,800	19,765
Balance	-50	-9,064	-3,910	11,478

Initial Budget Book target for 2013/14: £6,047,000
Total Sales Achieved 2013/14: £2,461,000

* Will be subject to revision following new forecasting

Compliments and Complaints

32. During the last two quarters four complaints were received. Three of the complaints related to insufficient contact by the project team and one related to the standard of the finished product. In both cases there was a general concern expressed that Officers are not easily contactable after the project has been finished should issues arise. Customer care post completion is being emphasised amongst the teams involved to seek improvement in this area. In the same period ten compliments were received these ranged from the ability to the project teams to problem solve to thanks for projects being well delivered.

Reason/s for Recommendation/s

33. To provide an initial view on the performance of the property portfolio and service delivery and to provide Members with an update on the capital receipt projections together with details regarding progress with individual key sales and the reasons for any variation to the disposals programme.

Statutory and Policy Implications

34. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That the information set out in the report on the Property Groups performance is noted.

2) It is recommended that the high level property indicators are reported upon annually and local indicators half yearly.

3) That a further report is submitted to the Members on the conclusions of the project review outlined in section 6 of this report

Jas Hundal
Service Director – Transport, Property & Environment

For any enquiries about this report please contact: Andrew Stevens

Constitutional Comments (CEH 25.04.14)

35. The recommendation at number 2 falls within the remit of the Finance and Property Committee by virtue of their terms of reference. Recommendations 1 and 3 are for noting only.

Financial Comments (TR 23/4/2014)

36. The report is for noting

Background Papers and Published Documents

37. Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Electoral Division(s) and Member(s) Affected - All

File ref.: /SL/SL/
Ward(s): Other
Member(s): n/a Outside Nottinghamshire
SP: 2647

Appendix 1

Indicator 2

		NCC 12/13	*Average Other Las 10/11*
ENERGY	Consumption	243.38/sqm kwh	192
WATER	Consumption	0.513cubic/sqm	0.80
CO^2		0.085 tonnes/sqm	0.065

Indicator 4

	NCC 12/13	*Average Other LAs 10/11*
% of office property	7.59%	8.0 %
Average office floorspace /FTE	17.11sqm	11.84sqm
Annual property cost /workstation	To be reported upon when available	£1,151