REPORT TO AD HOC SELECT COMMITTEE FOR NCC STRATEGIC PROPERTY BEST VALUE REVIEW

24 November 2004

WORKING GROUP FOR STRATEGIC APPRAISAL OF PROPERTY COSTS AND PERFORMANCE – PRICEWATERHOUSE COOPERS BENCHMARKING REPORT

Purpose of the report

1. To update Members about the benchmarking report produced by PriceWaterhouseCoopers to inform the review.

Background

2. As Members are aware, PWC have been appointed to gather comparable data from a number of similar Authorities for a range of property PI's.

Progress

3. The final report from PWC is attached as appendix A.

4. The Authorities approached within the survey were a range of Unitary and County Councils across England that were assessed as being similar to Nottinghamshire County Council by PWC and who were in the same family group as Nottinghamshire County Council.

   There were 6 returns from the Authorities approached in the survey, representing a 30% response rate.

Detailed data analysis:

5. Property Costs

   The **energy cost** figures show Nottinghamshire County Council spends **3.5% per sq m less** than the average expenditure on electricity, gas, coal etc. This is equivalent to a £356,760 per annum lower energy cost, reflecting sustained investment in energy management systems and boiler upgrades undertaken by the Authority.

A PI used by the **Audit Commission** to assess **overall property running costs** shows that Nottinghamshire County Council's total property running costs including rates, energy and water costs, insurance, maintenance etc. is **5.3% higher** than the average at £27.28 per sq m.

Property cleaning costs incurred by Nottinghamshire County Council are **12.5% lower** than the average at £7,315 per property. This means Nottinghamshire County Council spends £1,031,500 per annum less than the comparable Authorities on cleaning.

6. Sustainability

The report shows that **CO_2 emissions** from Nottinghamshire County Council's property is **20.5% per sq m higher than the average level.** This is mainly attributable to a higher proportion of properties fitted with coal-fired boilers in Nottinghamshire County Council than other Authorities.

Nottinghamshire County Council's **annual capital programme** (£98.5m) is **21.4% higher** than the average spend, and the **capital receipts** generated from sales (£18.5m) is **9.2% higher**. This is explained by a significant increase in County Council funded new build programme in services such as Social Services and Education, made possible by a sustained increase in Capital receipts from land and property disposals in recent years.

7. Property Condition

In terms of the assessed condition of property (i.e. **planned maintenance need**), Nottinghamshire County Council has **78.4% less floor space than average in the Good** category and **38% more than the average in the Poor** category. This suggests Nottinghamshire County Council has a **significant planned maintenance deficit** compared to the comparator authorities.

This finding is **further substantiated** by the figures relating to planned maintenance spend which show that Nottinghamshire

County Council spends £8,173 per property or **26.5% less per property on planned maintenance** than the average. The corollary of this is substantially higher expenditure on day to day reactive repairs (ie 94% more than the average) in order to keep the buildings operational.

8. Management Costs

The assessment of **strategic management costs** shows that Nottinghamshire County Council's spend of £0.24 per sq m is **64.7% less** than the average cost for this service.

The figures for the cost of **management of the planned maintenance programme** show Nottinghamshire County Council's costs are **24.2% more** than the average for this service at £0.77 per sq m. This is mainly attributable to the relatively low spend on planned maintenance programme, which incidentally is about 5% of the assessed need, and the fixed costs associated with assessing condition of the buildings, and careful management of the finite resources in the light of many competing priorities.

9. Gershon Report Recommendations

The Spending Review 2004 translated the outcome of the report into an efficiency target of 2.5% per annum over the next three financial years across the public sector. Every local authority will be expected to meet this target.

Most importantly, all the cashable efficiency gains made can be retained and recycled within local services. The outcome is intended to improve the quality and breadth of local services while minimising the need for increases in local taxation.

There are four strands where efficiencies are expected to be made in this workstream:

- Efficiencies are deliverable from better use of existing building stock (occupancy rates, energy usage, etc.) and rationalising stock consolidation and selling off/leasing redundant buildings);
- The better procurement of new construction;
- The promotion of home and flexible working will also reduce the need for office space; and

- The Lyons agenda to increase disposals of public assets will also encourage efficiencies.

  In addition, promoting more use of joint working, such as use of the Procurement Centres of Excellence for specific ‘off the shelf’ service contracts, FM arrangements etc. is required.

  Efficiency gains are expected to be achieved in the following ways:

  • reduced inputs (money, people, assets, etc) for same outputs;
  • reduced prices (procurement, labour costs, etc) for same outputs;
  • additional outputs or improved quality (extra service, productivity, etc) for same inputs; and
  • improved ratios of cost / output (unit costs, etc).

10. Summary Position

The work so far undertaken within this review ties in very closely with the recommendations in the Gershon report as outlined above.

As the cost data produced by PWC shows, this Authority spends 5.3% per sq m more on total property costs than the average of the comparators. This equates to a sum of over £1m more per annum, based on current working practices.

The work of this review is developing proposals to encourage flexible working practices and property sharing across services. As a result it should be possible to generate efficiency gains that extend beyond a simple efficiency drive against the existing cost base, with potential for further benefits from creating real service improvements by combining complimentary services in modern, purpose designed, shared facilities. This is inherently embedded in the emerging vision for public services from this review, and indeed the proposed management framework for the management of the property portfolio across the Authority.

The table below shows the detail of Nottinghamshire County Council’s property costs compared to the average figures for the comparable Authorities.

Budget Heading	Total Average Annual Cost of Comparable Authority	Total Annual Cost of Nottinghamshire County Council	Difference in Annual Cost	Percentage Difference in Annual Cost
Rates costs	£8,874,348	£7,591,548	-£1,282,800	-17%
Insurance costs	£2,841,432	£3,881,778	**£1,040,347**	27%
Electricity costs	£1,936,926	£2,935,344	**£998,418**	34%
Gas costs	£2,669,268	£1,677,125	-£992,143	-59%
Oil costs	£148,896	£26,890	-£122,006	-454%
Other energy costs	£247,875	£405,715	£157,840	39%
Planned maintenance costs	£9,606,319	£8,100,000	-£1,506,319	-19%
Day to day main costs	£2,353,302	£5,000,000	**£2,646,699**	53%
Grounds maintenance costs	£3,062,656	£3,600,000	**£537,344**	15%
Water costs	£1,795,708	£1,535,145	-£260,563	-17%
Total Annual Costs	**£33,536,728**	**£34,753,545**	**£1,216,817**	**4%**

The table shows that Nottinghamshire County Council's costs for insurance, electricity, grounds and day to day maintenance are £5.23m more than the comparable Authorities costs every year. This amounts to over 50% more expenditure on 14 % greater floorspace.

This is in part due to a combination of lower gas costs and lower planned maintenance costs combined with the larger floor area of this Council's estate, however there should be scope to reduce this gap and realise significant annual savings.

Statutory & Policy Implication

11. This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder and those using the services. Where such implications are material they have been described in the text of the report.

Recommendation

12. It is recommended that Members of the Ad Hoc Select Committee note and comment on the report.

Jas Hundal
Review Manager
pwc benchmarking select comm 24 Nov.doc

Appendix A