Report to Finance & Property Committee

1 June 2015

Agenda Item: 9b

REPORT OF SERVICE DIRECTOR, TRANSPORT, PROPERTY & ENVIRONMENT

PROPERTY SERVICES END OF YEAR PERFORMANCE UPDATE 2014/15

Purpose of the Report

1. This report provides information to the Committee on key action areas identified within the previous mid-term performance report in November 2014 and an end of year report on high level property performance indicators.

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 Some information relating to this report is not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.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, the CIPFA Value for Money Assessment; an internal lean review and the Viper Project review. All except the Viper review have been completed and reported upon previously.

Viper Review

4. The main findings were that there should be a more structured flow of communications and instructions. It should be noted that some of the weaknesses first evidenced when the review commenced have already been resolved as part of general improvements associated with the development of the new service delivery structure that was reported to this committee on 24th February, 2014. One of the major actions implemented was the formal introduction of an allocation and tracking system for incoming correspondence and queries.

Property High Level Indicators:

5. The annual report last year introduced for the first time, new high level property indicators for monitoring the performance of the whole estate. These reflected Government best practice guidance on property Asset Management Plans established under the National Property Performance Initiative (NPPMI) and promoted by the

Chartered Institute of Public Finance and Accountancy (CIPFA). In summary these cover the following:-

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

Members may recall that the previous report identified current performance under these headings with updates to be provided on an annual basis. The only indicator that was proving problematic to assess, was in relation to the utilisation of workspace. It is anticipated that the current on-going work associated with Smarter Ways of Working and the associated accommodation review will assist in providing the necessary information.

Below is the first review of the new indicators with commentary on trend and proposed action points arising.

2014/15 Performance

6. The performance of the estate is outlined in the property indicators within appendix 1.0 that includes the most current benchmarking information and past performance from 2013/14

7. Indicator 1: Condition and Required Maintenance

NCC has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) RICS guidance in categorising buildings and their elements when performing condition surveys. A rating assessment is used as follows: -

Condition Rating	
A	Good - Performing as intended and operating efficiently.
B	Satisfactory - Performing as intended but showing minor deterioration.
C	Poor - Showing major defects and/or not operating as intended.
D	Bad - Life expired and/or serious risk of imminent failure.

Priority Rating	
P1	Urgent work that will prevent immediate closure of premises and/or remedy a serious breach of legislation and/or high risk to health and safety.
P2	Essential works required within two years that will prevent serious deterioration of fabric or service and/or remedy to minor breaches of legislation and/or minor risks to health & safety.

P3	Desirable work required within 3 to 5 years that will prevent deterioration of fabric or service and/or address a low risk minor breach of legislation and/or minor risks to health & safety.
P4	Planned work for replacement beyond 5 years

The details of this indicator were reported upon for the first time last year and were used to help inform the development of the Repairs and Maintenance Strategy (R & M) and suitability assessments. The strategy seeks to target spend more effectively and generally over time achieve a repair profile across the portfolio with a concentration of assets in a 'good' B3 category. This should be revealed in the performance indicators by a reduction in category C & D /1 & 2 back-log repairs; growing category A repairs; predominance of back-log works in B3 and an overall reduction on back-log costs.

<u>Review Comment (↑)</u>

As will be noted in Appendix 1.0 Tables 1-4 the key desirable trend is starting to materialise assisted by the disposal of unsuitable properties. The overall back-log need has fallen by over £7m with an increasing preponderance of B3 repairs. This trend is expected to accelerate as the targeted works feed through into figures in later years.

8. <u>Indicator 2</u>: 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 these high level indicators are included within this annual reporting process. Any additional reporting to this committee is provided by the Waste and Energy Management team throughout the year.

<u>Review Comment (↑)</u>

The 2013/14 energy figures are much improved compared with 2012/13. Although the figure remains above the benchmarked average it is notable the rate of reduction is much higher than the benchmarked figure. A similar yet more pronounced trend is observed in Co2 emissions, reflecting in part not only the declining use of energy but the increased usage of sustainable technology such as bio-mass boilers and Photo – Voltaics.

This trend is expected to continue as the current investment in sustainable measures take effect. For example with effect from April 2015 there is an additional £1m p.a. over the next 3 years for investment in energy efficiency and renewable energy measures in the Council's corporate estate.

Water consumption is slightly below the Local Authority average, based on last available figures, although it will be noted that consumption has increased from last year. Further investigation is taking place as to why this increase has occurred which is most likely linked to better data gathering. A detailed report on the findings will be presented to Committee in the mid-term report.

9. <u>Indicator 3</u>: Suitability

As part of the foundation work necessary to prepare a corporate asset management plan, the Property Group has developed a corporate suitability model. This model, approved by the Corporate Asset Management Group, has been used to assess all non – school properties.

The suitability information has been used to identify those properties that are considered unsuitable and identify the reasons for that assessment. It provides 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 Repairs & Maintenance strategy restricts R & M spend on those properties assessed as unsuitable and works that are essential to keep the property open and safe to use. This is to limit expenditure on properties that are likely to be sold.

A review of each of the properties assessed as unsuitable was completed on target by the end of March 2015. This review has identified a forward strategy for the properties with recommendations falling into one of the following categories:- sell, retain/improve; community/partnership use. These results will be discussed with service departments as part of the Smarter Ways of Working programme and the development of the long-term asset management plan for the Council.

Review Comment (↑)

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. NCC proportion is 63 %. The targeting of the unsuitable properties through the measures described in this report will assist in improving the ratio to exceed the CIPFA average. Although the performance to data is below the CIPFA benchmark the trend is upwards.

10. 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 (↑)

A positive result has been achieved with a significant reduction in the proportion of space being used for office purposes. This has arisen as properties are removed from the portfolio and accommodation is shared with other partners. This trend is expected to continue as further property rationalisation occurs.

With regard to the average floor space per FTE and the annual property cost per workstation, results from the Smarter Ways of Working programme is awaited in order to assist in the production of these two indicators. It is anticipated both figures should be available at the date of the Committee in which case a verbal update will be provided. Failing this they will be reported upon at the mid-year report.

It is worth noting that the Smarter Ways of Working programme 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 downsizing of the property estate.

11. Indicator 5: Sharing of Space

Section 15 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. The Council also actively shares space with NHS. The increased community management of buildings will indirectly increase the sharing ratio as NCC retains space within these transferred buildings. 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 but the trend is upwards.

	12/13	13/14
(a) % of corporate office space shared	1% (1040 sqm)	2.2% (2056 sqm)
(b) % of all space shared across the whole portfolio	4% (60,500 sqm)	4.9% (73,253 sqm)

N.B. The actual figures for 2014/15 will become available in September of this year and reported to the Committee in the mid-year report.

Local Existing Performance Indicators

12. The indicators reflecting the performance of the Group are outlined in Appendix 2.0 and include a commentary explaining the reasons for the relevant out-turn. Particular points to note are:

Customer Satisfaction (↑)

The excellent feed- back received on satisfaction surveys which are all showing a consistent trend of high positive returns above target.

Project Management (↓)

Predictability of project design and cost have shown a marked decline in performance over the past 12 months. This rapid decline has been identified as resulting from SCRP works that are now filtering into the reporting cycle and represent legacy issues associated with changing scopes of works and combining several projects to avoid multiple visits to a school. As a result the original estimates have been adversely skewed by the changes.

Health and Safety (↑)

High levels of performance are being maintained in this key area of work for the Property Group covering, Asbestos, Legionella and Fire risks. Improved working practices have been introduced during the last 12 months that assist with data inputting and ensuring that delivery of remedial works are undertaken in a manner that more closely reflects risk ratings. In addition a monthly report is produced for the Property Group management team identifying any significant compliance risks.

Asset Management Planning and Asset Sharing (↑)

13. 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 was established in the Autumn of 2013 that seeks to conclude with the development of a strategic long term asset management plan. This period of time was necessary to effectively work up key components that will help inform the AMP. Key areas of work that have been completed are:-

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 - **Completed December 2013**

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

Develop a new suite of high level property performance Indicators - **Completed May 2014**

Undertake suitability assessments for all non-school properties - **Completed June 2014**

Joint development of Smarter Ways of Working (SSWOW) Brief to inform future property need - **Completed Autumn 2014**

Area mapping of partner assets - **Initial stage completed September 2014**
(Ongoing work with partners to identify hotspots of property clusters completion planned for July 2015)

Identify asset categories that require urgent review - **Strategy for unsuitable properties completed March 2015**

Future Planned Work

14. It is anticipated that the initial findings of the Smarter Ways of Working project will be completed by early Summer 2015. The results of this project should identify what future property need will be required by the Council taking account of changing service delivery models and ICT developments. These findings combined with the foundation work completed above will assist in developing the strategic asset management plan providing a steer on what type of property is required, where, in what quantity and how it should be held to support flexibility and funding issues. The development of the AMP will be a main focus for the Property Group during the next 12 months.

    Beyond the development of the AMP, local property performance indicators will be developed to assist the Council in monitoring the performance against local objectives and priorities.

Asset Sharing (↑)

15. The County Council has been taking a lead role in the One Public Estate Pilot launched in March 2013.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. As an OPE core participant, NCC was tasked with leading on the asset mapping of all partner assets.

    Property Officers are now arranging workshop sessions with partner bodies to review the clustering of property assets and identify scope for rationalising the estate through joint usage. As noted above this will help inform the development of the Council's strategic asset management plan.

    More specifically during the last 12 months Corporate property has been working with Gedling Borough Council and the Police to share space within Sir John Robinson House and is exploring options for sharing space with partners to accommodate increasing space needs for MASH and the Customer Service Centre who are presently based at Mercury House Annesley.

Design and Delivery

16. Recent examples of notable projects that have been undertaken is outlined below:-

Schools Basic Need Programme13/14 (↑)

1. The 2013/14 programme has been successfully completed with the exception of Richard Bonnington which was always scheduled to deliver at a later date due to a major re-scoping of the school works. The 2014/15 programme is well under way with 20 projects – all of these are in for planning with the exception of Dalesforth, Stanhope, College House and Jefferies which have been delayed with the agreement of the Client Department due to operational service issues. All of the remaining 2014/15 programme will be delivered by September.

Schools Capital Refurbishment Programme (↑)

2. It is anticipated that works at all schools under the current programme will be completed during the 2015/16 financial year. This has been one of the biggest investments by the County Council into improving the schools estate and tackling the considerable backlog of refurbishment that had accumulated over a long period. At the time of drafting this report, work has been completed or is substantially complete at over 150 schools.

   The total value of investment in the school estate through the SCRP is £85m; it is anticipated that the value of works expended by the end of this financial year 14/15 will be £69m. A review of all the final out-turn cost of the projects is underway, this will allow the programme to be closed down in an orderly fashion.

Capital Projects

3. 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:-

- Heymann Primary School (West Bridgford) Annexe: Project commenced 21st January 2013. Following the previously reported completion of the new build element for KS1 and the Multi Use Games Area the outstanding KS2 works were completed at the end of January 2015. The project has come in on budget at £6.2m.

- The Big House: £2.7m project to build a new respite care centre for children in Edwinstowe. Following the previously reported clearance of the site the build commenced to the new schedule in September 2014. The building envelope has been constructed with the roof put in place over the last few weeks of March. Work is now commencing on the internal first fix elements. The project is on schedule to complete in late August; this is some two weeks later than originally anticipated due to the liquidation of the supplier of specialist solar panels integrated into slate roofing (a conservation requirement). A new source of supply has been located. The project remains on financial target. Funding has now been secured for the works required to the existing Big House, imposed via a planning condition, involving an expenditure of approximately £280,000.

- Worksop Bus Station: £2.9m project for construction of a new bus station. The on-site enabling works commenced in September 2014 with the main site works commencing in October 2014. The build is progressing to plan with the main building now constructed and is on a slightly revised target for completion of mid-August 2015. The project remains on budget.

- Archive Centre: £2.6m project to extend the existing archives building in Nottingham with improvements to the existing air conditioned storage and the addition of cold storage facilities and improved new facilities. The project commenced on site in April 2014 and the first section of handover of the public and office areas was achieved on the 29th March 2015. The handover of the cold storage facilities and the external works occurred on 17th April 2015, this follows the discovery during excavations of an old railway siding and platform which required removal. The planned opening to the public has not been affected by this discovery. The project is coming in some £200k over budget for which funding has been confirmed.

- Clayfields House, Stapleford: Following the completion of the Training Workshop project in June 2014 the follow-on project, at a budget of £547k, to update and make fit for modern purpose the administration and reception areas commenced in August of that year. The new build element completed just prior to Easter 2015 and has been handed over. The refurbishment works for the existing administration area completed on 21st May 2015. The project is currently projected to be on budget.

- Bingham Library: this refurbishment project completed to plan just prior to Christmas 2014.

- Beardall Street Primary School, Hucknall: Following the previously reported completion of works for this project in September 2014 we are now approaching the completion of the 12 month Defects Liability period.

- Fernwood Primary School, Newark: Following the previously reported completion of works for this project in August 2014 we are now approaching the completion of the 12 month Defects Liability period. Two phases of construction of this new school have now been completed, at the moment the third and final stage awaits CFCS approval to commence.

Capital Disposals (↓)

17. 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, this can however, also impact on the estimated timescale for completion of the sale.

    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.

    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.

The capital receipts out-turn for year 2014/15 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.

	2014/15	**2015/16**	**2016/17**	**2017/18**
MTFS Target	7,900	9,600	20,500	11,800
Max Projected Potential Receipts	4,500	6,900	13,400	14,300
Balance	-3,400	2,700	-7,100	2,500

Initial Budget Book target for 2014/15: £7,900,000

Total Sales Achieved 2014/15: £3,037,000

* Will be subject to revision following new forecasting

Compliments and Complaints (↑)

18. During the last 12 months four complaints were received. Three of the complaints were related to either quality or timing issues associated with the delivery of SCRP projects. The remaining complaint related to the reliability of a Biomass boiler that had been installed at a School. In these cases a single point of contact is established with the party involved, normally the Group Manager, who agrees a mitigation plan and supervises the resolution of the case to a satisfactory conclusion.

In the same period ten compliments were received covering a variety of activities including maintenance work, careline assistance, new build at basic need schools, fire risk assessments, new kitchen installations and the pro-active attitude of property staff. It is worth highlighting that one property officer has been specifically nominated for an internal ‘going the extra mile award’ in connection with the work undertaken at the new Beardall Fields School. Students composed a song in honour of the officer’s dedication to the project.

Reason/s for Recommendation/s

19. To provide members with an update on key action areas identified within the previous performance report in November 2014; a review of existing local performance

indicators and an update on the current capital disposal programme including the level and timing of potential capital receipts.

Statutory and Policy Implications

20. 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 Smarter 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.

Jas Hundal
Service Director – Transport, Property & Environment

For any enquiries about this report please contact: Andrew Stevens 0115 977 2085

Constitutional Comments (CH 12.05.2015)

21. The report is for noting only.

Financial Comments (TR 19.05.2015)

22. As this report is for noting only, financial comments are not required.

Background Papers and Published Documents

23. None.

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

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