

28 April 2014**Agenda Item: 6****REPORT OF SERVICE DIRECTOR TRANSPORT, PROPERTY &
ENVIRONMENT****PROPERTY GROUP – VALUE FOR MONEY****Purpose of the Report**

1. To provide Members with an overview of the findings from a value for money exercise conducted by the Chartered Institute of Finance and Accountancy (CIPFA) on the service activities undertaken by the Property Group. The report highlights any areas that require further investigation and action.

Information and Advice

2. At the Finance and Property Committee on 16 December 2013 it was reported that a number of property service reviews were being undertaken to establish the cost and quality of the service delivered by the Property Group. The two primary reviews being:-
 - a) A Value for Money exercise conducted by CIPFA
 - b) A review of project processes undertaken by an independent consultant arranged through SCAPE at nil cost.
3. The project review is currently on-going however, the CIPFA review has been completed and a summary of its findings is outlined within this report.
4. Twenty Two Authorities took part in the exercise covering County Councils, District Councils, Unitary Authorities and two Fire Authorities. The review covered the key workstream elements that are commonly delivered by a corporate property service. 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. As a result the VFM report only details energy spend and not costs of staff management.

High Level Summary

5. The overall report findings are positive with costs for the provision of the property service being generally below average for the amount of activity that is being undertaken. The only exception would appear to be within the area of general estate management. These activity rate costs may be skewed by this team being

multi- tasked and their costs not being apportioned accurately against the individual work streams. This report identifies the need to investigate this issue further.

6. The analysis provided by CIPFA is detailed and therefore an attempt has been made to highlight the main findings within each element of the analysis. These are considered below.

Staffing

7. The report findings consistently identify that salary levels within the property group are the lowest or in the lower quartile if considered in professional groupings. This conclusion is supported by the recent failure to recruit to key professional posts within property, with potential candidates and agencies indicating that the salary offer was too low. Discussions on how best to address this issue, is on-going with principal officers, in consultation with Human Resources.
8. The property Group employs directly the largest number of property staff within the benchmarked group as opposed to other Authorities who are using a different proportion of external resource. Within this workforce there is a relative high aged profile with a low presence of under 25's. This will have potential implications for resource and succession planning in future years as employees reach retirement age. The Property Group's emerging service plan seeks to consider the issue of work force planning during the next 12 months.
9. Working days lost due to sickness are generally below average for the benchmarked group.

Strategic Asset Management

10. Although the number of assets held by NCC is relatively average, the overall floor area occupied represents one of the largest. In comparison to the population size this represents a low proportion. This suggests that NCC has not an unduly large property portfolio for its service delivery needs. Overall the cost of strategic management is in the upper quartile range, yet represents one of the lowest costs for a County Council function.

General Estate Management – acquisitions, disposals, valuations etc.

11. There is relatively a larger number of staff engaged in acquisitions and disposals than the statistical average despite the number of disposals not being unusually high. This group of staff also undertake a very high number of valuations which are undertaken at a benchmarked average cost in relation to the number conducted. It is worthwhile highlighting that the same officers who are undertaking the acquisitions and disposals are also normally undertaking the valuations this could explain why there appears to be a disproportionate number of officers dealing with transactions. **This will require further investigation** to ensure that the operating structure is as efficient as possible.

Design and Construction

12. NCC property is managing almost the largest capital programme amongst the benchmarked group not unsurprisingly as a result engages the largest number of

direct staff to deliver this programme. The analysis reveals a fairly even split between the use of direct staff and procured services. This equates to the third largest spend on delivering the capital programme in the benchmarked group. However, when this spend is compared to the value of the capital programme involved, the cost ratio is low, suggesting the Authority is obtaining good value for money. There is an organisation within the analysis which is a County Council, that is managing a larger capital programme yet seems to be delivering the programme at an average overall cost. CIPFA has indicated that this return seems at odds with overall returns. **It is suggested that the organisation should be contacted** in order to review how the programme is being delivered and to clarify costs in order to determine whether there are any improvement points from this organisation.

Management of Maintenance and Compliance

13. There are two aspects to the analysis, one which relates to the condition of the property estate including budget provision and the cost of managing maintenance.
14. The estate has a relatively low proportion of properties which are in good or satisfactory condition and has the highest proportion of repairs requiring immediate attention (priority 1's) including the second highest overall back-log maintenance situation. This is despite having one of the highest maintenance programmes. This spend is being inflated at present due to additional monies being made available to deal with back-log health and safety related items. This funding is due to cease in financial year 2014/15. This spend represents a low level compared to need although interestingly is similar to other County Councils. Members will be aware from previous reports that action is being taken to prepare a repairs and maintenance strategy for the estate as part of the general process of formulating a new strategic asset management plan. This will assist in ensuring that expenditure is targeted where it is most needed, creating efficiency of spend.
15. It is worth highlighting that the repairs and maintenance figure quoted in the analysis is based on historic data that has since been updated as part of the work associated with the development of the repairs and maintenance strategy. This has indicated an overall reduction in the backlog maintenance. However, the overall figure remains significantly higher than other benchmarked comparators and the conclusion remains valid.
16. The cost of managing this repair and maintenance programme is below average and as a percentage of the maintenance budget represents one of the lowest costs within the benchmarked group. Similarly the number of staff engaged in the process is below average. The cost of undertaking condition surveys when compared to the size of the estate is the lowest overall within the survey.

Management of non-investment property

17. The income producing part of the property estate is producing below average income flows while staffing costs for management are in the upper quartile when compared against income. Similarly the number of staff engaged in this activity is above average but generally low for a county council function. As in estate management these figures may have been skewed due to the staff undertaking a variety of roles and these costs not proportioned against the different disciplines.

18. There is sufficient uncertainty within this activity element to justify **further investigation on how estate management is delivered**. With regards to maximising income, measures are already being actioned and as part of this work, Members will shortly be receiving an extensive review of Agricultural holdings which includes recommendations for improving income flow.

Other Options Considered

19. Failure to review value for money offered by the property group would hinder continuous improvement that is critical at a time of budgetary restraint. Non review was not an option.

Reason/s for Recommendation/s

20. To provide Members with an overview of the findings from a value for money exercise conducted by the Chartered Institute of Finance and Accountancy (CIPFA) on the service activities undertaken by the Property Group. The report highlights any areas that require further investigation and action.

Statutory and Policy Implications

21. 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

It is recommended that:

1. Members note the overall positive results of the value for money exercise conducted by CIPFA on the Property group; and
2. A further report is presented to Members covering those activity areas highlighted within the report that require additional and more detailed investigation.

Jas Hundal

Service Director – Transport, Property & Environment

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

Constitutional Comments (SSR 2.4.2014)

22. This report is for noting only and therefore no decision is sought for approval by the Finance and Property Committee at this stage.

Financial Comments (TR 3.4.2014)

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

Background Papers and Published Documents

24. None.

Electoral Division(s) and Member(s) Affected

25. Ward(s): n/a
Member(s): n/a

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SP: 2610

Properties affected: 09998 - Various NCC Properties/non-property item