

Report to Executive**On 12th September 2006**Report Title: **Corporate Management of Property**Report of: **Director of Finance**Wards(s) affected: **All**Report for: **Key Decision****1. Purpose**

1.1 The purpose of this paper is to seek approval to transfer the management responsibility of the operational property assets from Directorates to Corporate Property Services. This would be on the basis of a Corporate Landlord and Tenant framework with formal service level agreements. There would be a 2 year improvement plan to address non-compliance and the backlog of maintenance.

2. Introduction by Executive Member

- 2.1** I support the transfer of management responsibility of the operational property assets from Directorates to Corporate Property Services.
- 2.2** This change will allow us to effectively target areas where there is a maintenance backlog and end the fragmented approach of old. I am also confident that this new structure represents value for money.

3. Recommendations

- 3.1** Approve the transfer of management responsibility of the operational property assets listed in Appendix 15.1, on a phased basis, from Directorates to Corporate Property Services, together with the requisite budgets by the 1st April 2007.
- 3.2** Approve the development and implementation of a two-year improvement plan to address the areas of building non-compliance and improve building condition by systematically tackling the high priority areas of maintenance backlog.
- 3.3** Note the revised management structure, resource plans and system developments to enable Corporate Property Services to assume the corporate landlord role effectively and carry out the new management responsibilities efficiently.
- 3.4** Note that a detailed review of the current contracting arrangements will be carried out in conjunction with Corporate Procurement Unit with recommendations to rationalise and market tests these, in order to deliver best value and performance.
- 3.5** Note that this exercise will take place before the HfH Value for Money review has been completed and the outcomes are known. However, HfH will be included in the exercise and eligible to bid for works within the competitive processes

Report Authorised by: **Gerald Almeroth, Director of Finance**

Signed:

Contact Officers:

John Barnett, Corporate Landlord Manager, Corporate Property Services

4. Director of Finance Comments

4.1 The Director of Finance has been consulted during preparation of this report and comments made have been incorporated within the body of the report.

5. Head of Legal Services Comments

5.1 The Council has a statutory obligation to obtain best value, ODPM Circular 03/2003 provides guidance on how this can be achieved.

5.2 The Council also has various statutory obligations as owner of the buildings vis a vis its employees and visitors to those buildings. These legislations include for example the Disability Discrimination Act 1995 (Right of access for the disabled which came into force in October 2004), Health and Safety at Work etc Act 1974, the Building Regulations Act 1984 (requirement to ensure that fuel and power is conserved and facilities are provided), the Control of Asbestos at Work Regulations 2002 (duty to manage asbestos), The Regulatory Reform (Fire Safety) Order 2005 (fire safety at work) which comes into force on 1 October 2006.

5.3 The purposes for which the properties were acquired and/or held by the Council will remain the same however once the management responsibilities have been transferred over the relationship between Corporate Property Services and the occupiers will be governed by a Service Level Agreement which should include such issues as maintenance, repairs, redecorations and the service charges.

5.4 If the recommendations in this report are agreed by The Executive, there will need to be a corresponding amendment to the Scheme of Delegation to Officers in the Council's Constitution. This would transfer to the Head of Property Services the power to take decisions on the management and use of land and buildings held for the operational purposes of each Directorate. This amendment would have to be agreed by General Purposes Committee and adopted by full Council.

6. Local Government (Access to Information) Act 1985

6.1 Background papers.

Previous stage reports to the CEMB have taken place on the 26th April & 2nd November 2005 plus the 18th May 2006.

7. Background

7.1 During 2005 a strategic review of the Haringey Property Portfolio was carried out to assess the extent to which the Council's assets were contributing to the achievement

of key strategic objectives. The review considered issues raised within the Council and received evidence from other organisations on current best practice in asset management. The review concluded that property management is fragmented and resulted in a recommendation to integrate the management of the operational portfolio to Corporate Property Services.

7.2 The Chief Executive's Management Board supported the proposal to implement a policy of "Corporate Management of Property" (CMP) on the 26th April 2005 and a project was set up with the aim of enhancing customer satisfaction and achieving best value for money in the use of operational property. The following key objectives were set:

- Ensure that the Council can demonstrate its buildings are legislatively compliant, safe and fit for purpose,
- Release front line services of non-core responsibilities on building maintenance.
- Provide a more strategic and better planned use of building assets to achieve improved performance.
- Deliver best value in the procurement and delivery of repairs, maintenance and facilities management services.

7.3 It was agreed that school buildings and housing stock should be excluded from the scope of this project; schools are subject to separate governance and management arrangements, and the housing stock is now under the management of an ALMO.

7.4 This report provides a summary of the analysis of the building condition, current and emerging management issues, scope for improving the use of assets and the work carried out to build expertise and corporate capacity, to manage buildings as a corporate resource. Specifically the report provides information to enable the Executive to take the key decision to transfer the management responsibility of operational properties from Directorates to Corporate Property Services.

8. Current Situation

8.1 Objectives of Work to Date

8.1.1 Over the past 12 months a detailed review of the Operational building portfolio has been undertaken to:-

- Determine the legislative compliance, condition and to assess the level of maintenance backlog.
- Define the current processes used for the delivery of the Facilities Management (FM) services; identify gaps in the service and potential ways of providing improved quality and value for money.
- Develop processes for the improved management and control of the FM delivery service.
- Determine the capacity and expertise required within Corporate Property Services to deliver such an expanded service.

8.2 Condition of the Operational Building Portfolio

8.2.1 The condition surveys completed through our Framework Consultant (Dunlop Haywards) identified that in general there were no formal systems of cyclical maintenance in place across the building portfolio. There was poor compliance in the areas of meeting the impending new fire legislation, electrical testing and water risk assessments; with variable compliance in the management of asbestos. Maintenance issues and repairs were often on a reactive basis and many managers were generally unaware of their maintenance responsibilities.

8.2.2 During the surveys a top level assessment was undertaken of the building condition to determine the maintenance backlog. Whilst this is not an exact science we are currently forecasting some £5.5 million prioritised over a 5 year period. (Reference Appendix 15.2)

8.3 Process of Delivery

8.3.1 Appendix 15.3 shows in a graphical form the current fragmented approach to the delivery of reactive and planned maintenance services across the operational building portfolio. There were some 46 different contractors delivering the planned service with many more providing adhoc reactive support. This poor economy of scale fails to deliver best value for money and performance.

8.3.2 Homes for Haringey (HfH) provide some £0.7 million of direct labour and term contractor support to carry out FM services across the operational building portfolio (Appendix 15.4). Individual service contracts are placed across the various contractors and a management fee of some 11.8% is charged for the service. This service is split across several functional groups within HfH, the processes are open looped with little tracking in place, there is no performance monitoring and only a 10% claimed check on the quality of work completed. It is

not a customer centred delivery service and the process lacks a proactive Haringey Council “Intelligent Client” driving and reviewing the service delivery.

- 8.3.3** An exercise in conjunction with a budget holder was undertaken to look at the way costs were currently being managed in the delivery of some maintenance term contracts. The budget holder felt they had no control over the process with the expenditure more than doubling over the four year period of the analysis. It was also impossible to demonstrate that Value for Money had been achieved. Appendix 15.5 shows how the expenditure increased over the four year period.
- 8.3.4** Within the Directorates some FM term contracts are procured directly with many of these dealing with reactive responses. Poor procurement efficiency and poor value for money is therefore a potential issue within this area.
- 8.3.5** The open loop and informal systems of FM service delivery can result in gaps and inefficiencies developing in the system. During the surveys, lack of building compliance assessments, external maintenance and testing of electrical systems were areas of concern.

8.4 Management of the Service Delivery

- 8.4.1** There was potential risk of works being undertaken on Council disposed buildings, or work being missed on properties which may have been recently acquired. There was no integrated recording system for cross referencing the building portfolio to the service contracts. HfH use their own software based systems (e.g. Open Housing Management System (OHMS)), Directorates in the best cases use EXCEL spreadsheets and these are often being driven by the contractors own asset records.
- 8.4.2** HfH do not operate any centralised Helpdesk system with work being split across the functional structure. The Directorates operate various adhoc systems driven through the line management.
- 8.4.3** Corporate Property Services now operates the Manhattan Property Information System “PROMISe”. This has been configured to provide a Helpdesk, Condition Monitoring and Scheduled Maintenance system. The Helpdesk system was launched on the 4th April 2006 across the Administration building portfolio only. The implementation of the system has not been straightforward due to problems with the software reporting capabilities. These issues are now being resolved and major benefits are starting to be realised from the formalised close looped processes which can be tracked and performance monitored. The system therefore has potential to be expanded across all aspects of the FM delivery service delivery.

9. Report and Recommendations

- 9.1** The condition audits of the operational building portfolio have demonstrated that the current system of building maintenance is un-tenable and urgent action is required to address areas of non compliance. The introduction of the Corporate Management of Property would be the most effective way of addressing these issues, providing both economies of scale and the necessary expertise. It would also provide an improved system for strategically reviewing the use and space planning of the operational building portfolio to maximise the best use of the assets, in conjunction with the relevant Directorate Service representative.
- 9.2** The current process for delivering FM term contracts is fragmented, likely to deliver poor value for money and must be streamlined. It must be closed looped so that work can be tracked and performance monitored. The service also needs to be more customer focussed and of a consistent standard throughout the Council. To improve the quality and access to maintenance and FM support a “One Stop Shop” style of service is required. A detailed review of the existing contracting arrangements will be carried out in conjunction with Corporate Procurement Unit to deliver best value and performance by rationalising the number of contracts and adopting clearer working arrangements with contractors. Within this process HfH will be included and eligible to bid for these works within a competitive framework.
- 9.3** The Head of Corporate Property Services has reviewed the existing management structure and established a Corporate Landlord function. This strengthens the existing Facilities Management and Accommodation Strategy areas to enable the service to assume responsibility for the expanded property portfolio of some 140 buildings. This will also form the basis of establishing capacity and expertise for assuming an “intelligent client” role which is essential in an environment of increased statutory compliance, ageing building stock and greater use of building services. The project implementation team has been formulated by a combination of secondments, job redesign and some additional posts. These resources will form the core team to manage the expanded operational building portfolio. (Appendix 15.6 shows the outline structure)
- 9.4** The Manhattan PROMISe system will continue to be developed to provide an integrated FM service of Helpdesk, Condition Monitoring and Scheduled Maintenance across the operational building portfolio. The newly introduced “Property Helpdesk” should be expanded to handle the whole operational building portfolio and be the focal point of the customer focussed service delivery as shown in graphical form within Appendix 15.7. The Property Helpdesk will operate in line with defined service levels as outlined within Appendix 15.8.
- 9.5** A two year improvement plan to be implemented in conjunction with stakeholders to deliver:-
- A phased programme for extending the Helpdesk and supporting maintenance services to all operational buildings, with the transfer of responsibility and budgets by the 1st April 2007.

- The contractual framework from which services can be accessed to support the complete range of building services.
- A plan to address the backlog of maintenance and compliance issues.
- A “Traffic Light” reporting system to demonstrate building legislative compliance together with a system of building performance indicators.

10. Strategic Implications

10.1 Corporate Management of Property (CMP) will change the way in which buildings are managed and operated. Directorates will no longer be responsible for the “Hard Facilities Management Services” to their buildings. (e.g. building structure, mechanical and electrical services). A small team from within Property Services will facilitate the delivery of these reactive and planned maintenance programmes using term contracts.

This will:-

- Ensure that the Council can demonstrate its buildings are legislatively compliant, safe and fit for purpose.
- Release front line services of non-core responsibilities on building maintenance.
- Provide a more strategic and better planned use of the building assets
- Promote best practice in the management and maintenance of the building portfolio.
- Deliver best value in the delivery of the maintenance services.

10.2 Corporate Management of Property will also more effectively deliver the recently approved Capital Strategy and Asset Management Plan.

11. Financial Implications

11.1 Transferring the management of operational assets to Corporate Property Services and adopting a more proactive approach requires new skills and additional capacity. The staffing, consultancy and other costs associated with this are estimated to be £225k which will be met from existing revenue budgets within Corporate Property Services.

11.2 Current repairs and maintenance budgets will be pooled corporately within Corporate Property Services to deliver the reactive and planned maintenance services based on an assessment of priorities across the portfolio. Appendix 15.9 shows the SAP outturns of monies that were attributed to the “R&M” codes in 2005/6. It is understood that some of the expenditure in the “R&M” codes will not relate solely to building maintenance, and that some additional building maintenance may be charged to other codes. This will be investigated in more detail before budget transfer takes place.

11.3 During the implementation of the CMP strategy there are risks that further funding will be required (e.g. back log of maintenance identified at £5.5 million over the next 5 years). These may result from identification of non-compliance issues on buildings requiring possible capital funding (e.g. building rewiring), the

fact that essential works are not taking place (e.g. planned preventative maintenance) or that works have in the past been funded from other budgets in service directorates that are not transferred. Such funding requests would be made through the normal business planning and capital bid processes.

- 11.4 Expenditure on planned and preventative maintenance will need to be increased in order to meet compliance requirements and to improve the performance of property assets. In the longer term this will also improve the efficiency of maintenance expenditure as there will be fewer failures and emergency works. Future funding requirements will be assessed and incorporated within the Pre-Business Planning process.

12. Legal Implications

- 12.1 The non-compliance issues identified within the building surveys have been allocated "Priority 1" status and would be the first area to be addressed.

13. Equalities Implications

- 13.1 No implications that Corporate Property Services are aware of.

14. Consultation

- 14.1 The Head of Corporate Property Services has met with the key Haringey stakeholders and provided information on the CMP strategy.
- 14.2 The CMP project is reported monthly through the "Assets Strategy Board" to the "Value for Money Stream Board".
- 14.3 The CMP project is also reported through the "Asset Management Group" which provides a focal point of contact with the Key stakeholders.
- 14.4 It is recognised that CMP requires a greater emphasis on Directorates and Services working together to ensure that the CMP policy can be delivered. A Project Officer post within CPS has recently been setup to work alongside the "Organisation Development and Learning (OD&L)" to address the change management issues that the implementation of CMP will incur.
- 14.5 This report has been sent to all Directors and Assistant Chief Executives for comment, and also to the members of the Asset Strategy Board and Asset Management Group.

15. Appendices:-

- 15.1 List of Operational Buildings Transferring under CMP
- 15.2 Estimated Back Log of Maintenance
- 15.3 Graphical process of the Existing Hard FM Delivery Services

- 15.4** 2005/6 Estimated Costs of FM Services Delivered by HfH
- 15.5** Year review of Fire Fighting & Evacuation System Costs delivered by HfH.
(Provided by Budget Holder)
- 15.6** Proposed structure for CMP within Corporate Property Services
- 15.7** Proposed Route for the Corporate Management of Property
- 15.8** Property Helpdesk Service Level Agreements
- 15.9** 2005/6 Actual Costs Attributed to Repairs and Maintenance

Appendix 15.1 List of Operational Buildings under CMP

Directorates	Properties	Nos	Notes
Libraries, Archives & Museums	All Buildings	11	Libraries, Archives & Museum
Social Services	All Buildings	19	
Environment	Most Building (See Note)	31	These are sites where there are several buildings. Detailed review of Leisure Centres is required to determine the most suitable responsibility split.
Children and Young People's Service	Children's Homes	5	Building transferred from Social Services
Chief Executive	NDC etc	6	
Finance	Administration Buildings	30	Existing property portfolio
Community	Various Buildings	32	Haringey responsibilities need to be fully established with the tenants.
Total:-		134	This number is still provisional and it will be finalised with the discussions with stakeholders.
<i>Those areas Excluded:-</i>			
<i>Housing</i>	<i>All Housing Properties</i>		
<i>Children and Young Peoples Services</i>	<i>All Educational Premises</i>		

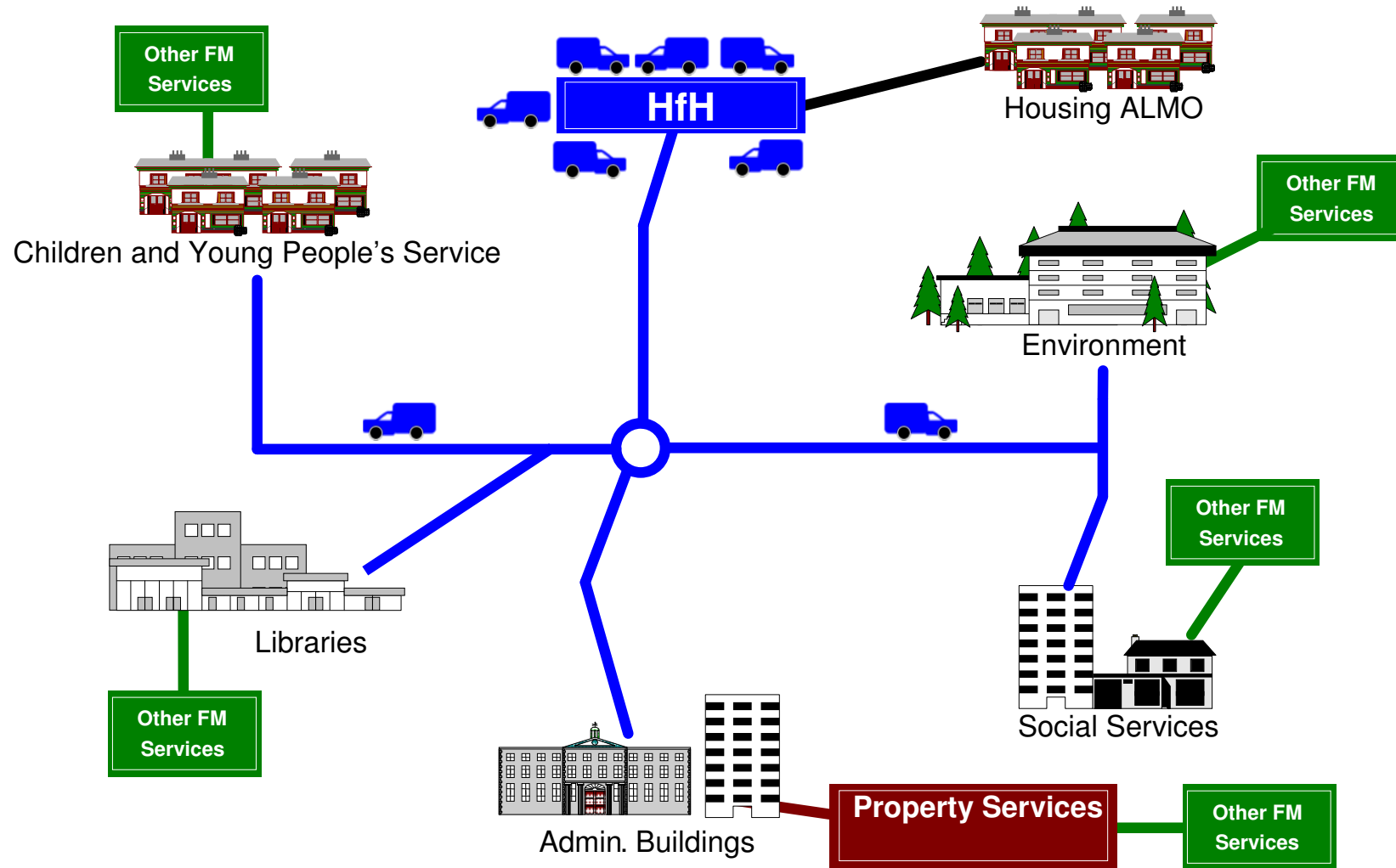
Appendix 15.2:- Estimated Back Log of Maintenance

Final Total Estimated cost								
CATEGORY: Summary Sheet		Level	Description					
		All	<i>Final Total Estimate of Maintenance Backlog</i>					
CMP	PROPERTY NAME	Select Type	Description	Priority 1	Priority 2	Priority 3	Total Cost (£k)	Notes
	All Services Costed	External		£528,700	£443,250	£766,305	£1,738,255	
		Internal		£71,900	£92,800	£389,700	£554,400	
		HVAC		£2,300	£16,500	£32,000	£50,800	
		Electrical Systems		£59,000	£95,550	£1,100	£155,650	
		Piped Services		£11,250	£3,000	£106,000	£120,250	
		Alarms & Meters		£24,000	£9,500	£5,000	£38,500	
		Building Registers		£117,000	£0	£0	£117,000	
	Works to be further investigated & Costed	Allowance for further works and more detailed investigations		£814,150	£660,600	£1,300,105	£2,774,855	
				£1,628,300	£1,321,200	£2,600,210	£5,549,710	£5,549,710

Priority	Name	Description
1	Urgent	Urgent works are immediately required
2	Essential	Essential works within 1 to 2 years
3	Desirable	Desirable works within 3 to 5 years
4	Low	Monitor deterioration
5	None	No action required

Appendix 15.3:- Graphical Process of the Existing Hard FM Delivery Services

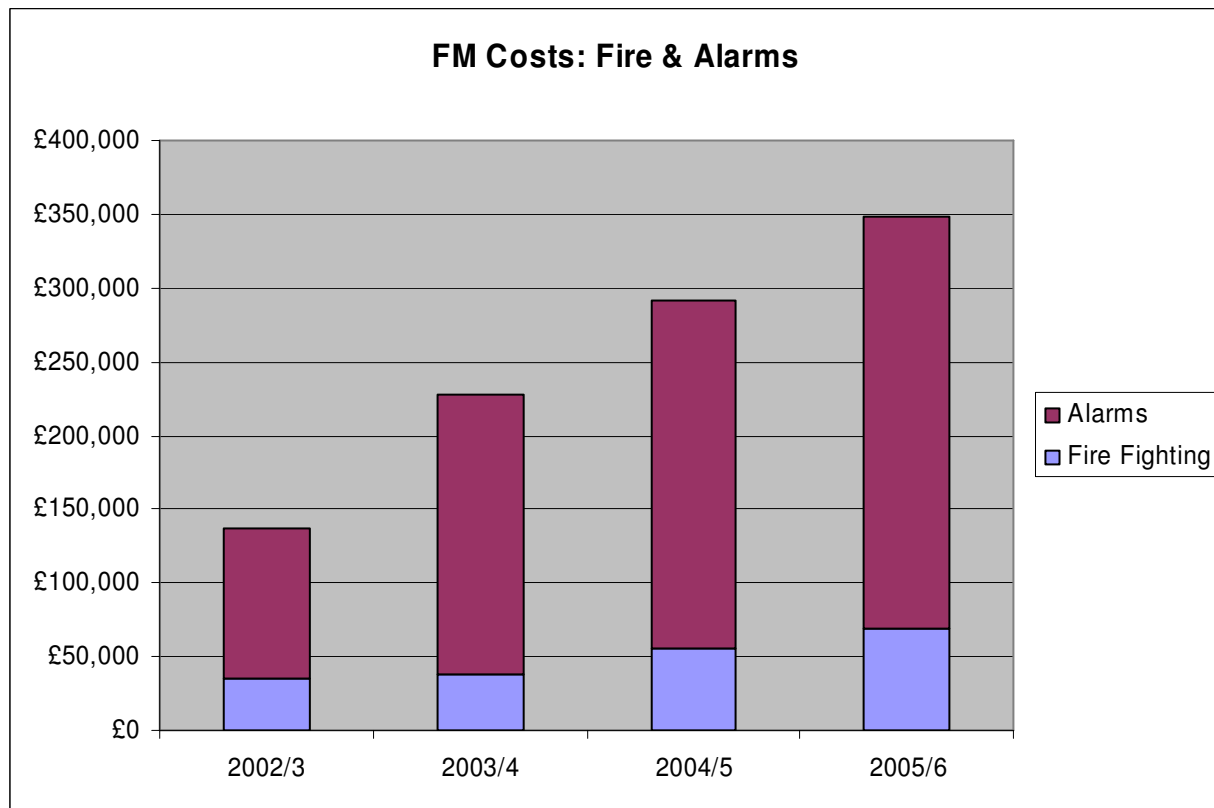
Existing Hard F.M. Services



Appendix 15.4:- 2005/6 Estimated Costs of FM Services Delivered by HfH

		C09 & C10	E06	V01	F04	S00,01 &05	
Code	Details	Chief Executive (Libraries)	Children and Young People's Service	Environment	Finance (Property)	Social Services	Total
HfH	FM Term Contracts through HFH typically covering Fire, Security, Lifts, Heating, Emergency Lights	£50,954	£26,195	£298,057	£172,400	£77,187	£624,793
HfH	Estimated markup at 11.8% for the Design and Management Fee	£6,013	£3,091	£35,171	£20,343	£9,108	£73,726
	0.118						
	R&M with HfH	£56,967	£29,286	£333,228	£192,743	£86,295	£698,519

Appendix 15.5:- 4 Year review of Fire Fighting & Evacuation System Costs delivered by HfH

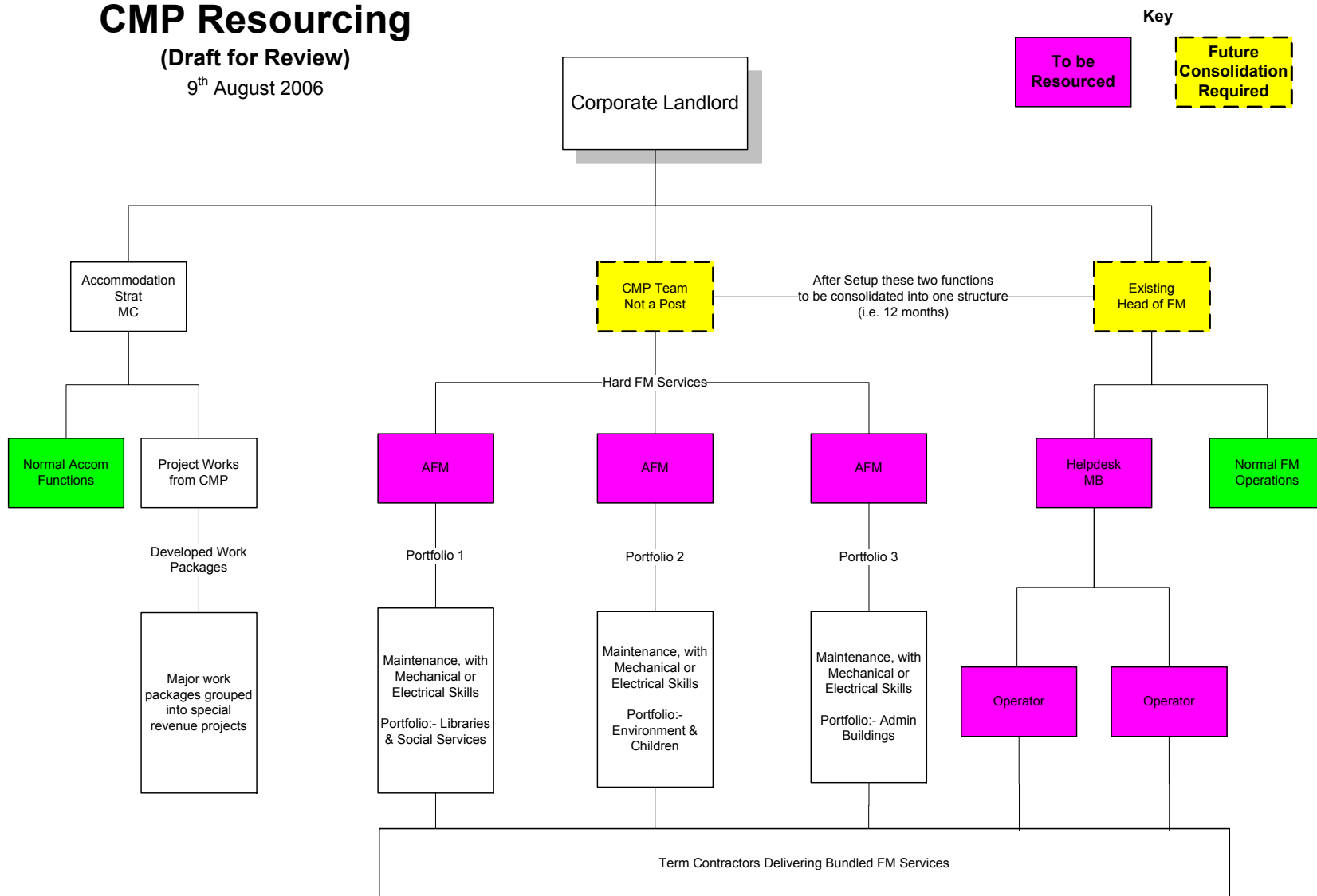


Appendix 15.6:- Proposed structure for CMP within Corporate Property Services

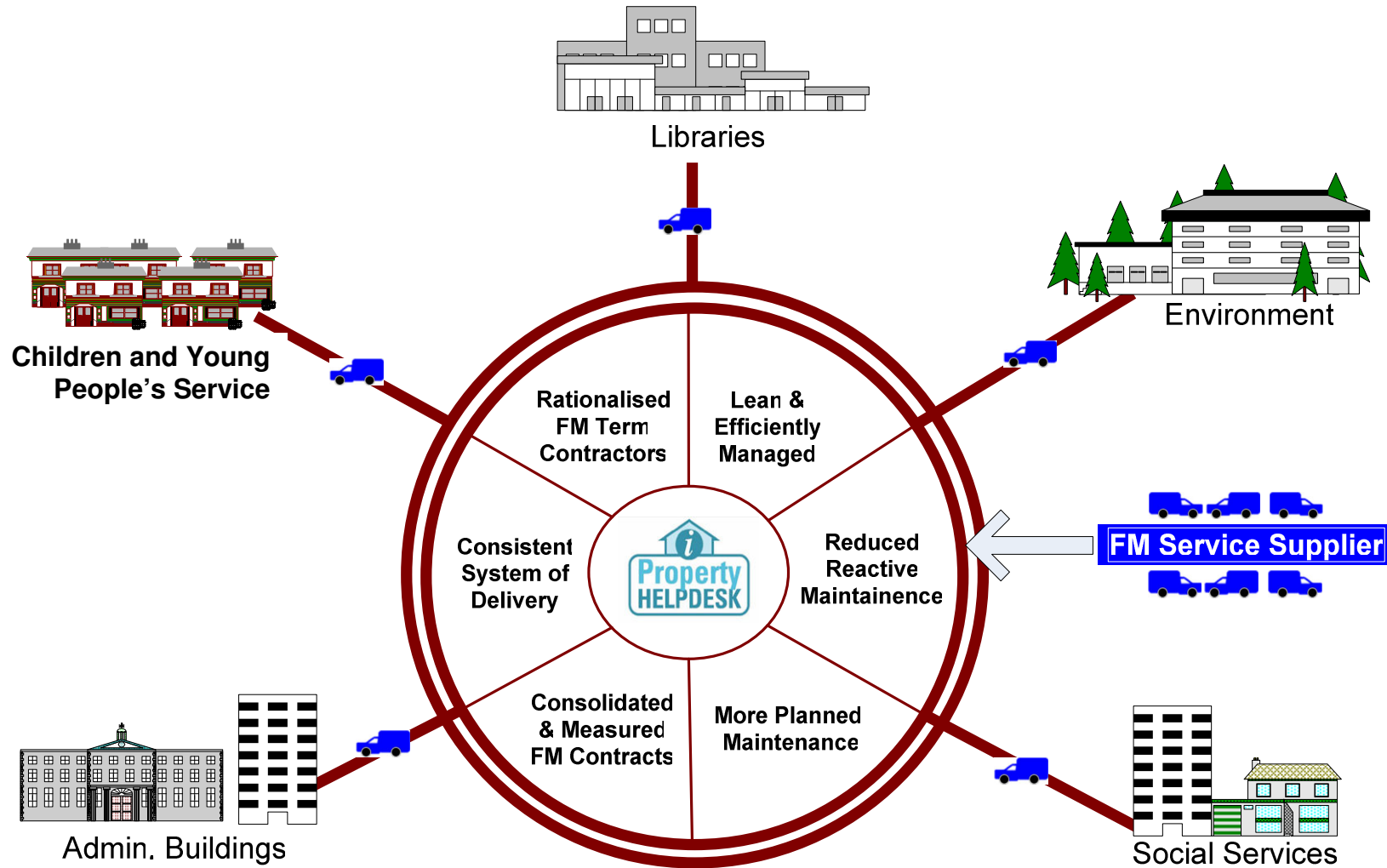
CMP Resourcing

(Draft for Review)

9th August 2006



Corporate Management Strategy



Appendix 15.8:- Property Helpdesk Service Level Agreements

Priority		Response Times	Service Level Targets
A	Emergency	Immediate	100%
B	Urgent	Within 1 working day	80%
C	Standard	Within 10 working days	70%
D	Non urgent	Within 20 working days	70%
E	Planned work/Advice	Within 20 working days	80%

Works may be given a revised priority following an inspection or emergency making safe works.

Definition of priorities

Priority A: Emergency

Work, which if not carried out immediately will present an immediate threat to the health and safety of people, cause major damage to buildings or affect building security.

E.g. Gas leaks, loss of electrical or heating services to a building, major water leaks, making safe for a later full repair to be carried out.

Priority B: Urgent

Work which does not present an immediate threat to the health and safety of people, or the fabric of the building but could do so if not attended to within 24 hours.

E.g. Blocked drains/toilets, broken window (window will be boarded up within this time), malfunctioning locks, loss of heating/hot water or lighting in a room, running taps (not dripping taps), single stair light out, floor covering – trip hazard, security of a room within an otherwise secure building, ingress of water to a building other than flooding, problems affecting Emergency access, egress or preventing disabled access, loss of local power which affects an area of operations

Priority C: Standard

Work which if not attended to could result in a reduction in the quality of the service provided or presents inconvenience.

E.g. lack of power at a single socket, only one light out of many in a room, single radiator not working when one of a group, adjustment to door closer/door difficult to open, dripping taps,

Priority D: Non Urgent

Work of a routine nature.

E.g. Replacement floor covering, replacement curtains and blinds, minor decoration, extract fans not working unless part of a Local Exhaust Ventilation system, plaster repairs, quotes for work

Priority E: Planned work/Advice

Works requiring planning and for which a programme will be agreed.

Note: If the works are at the occupier's costs a formal Quotation will be submitted by the Property Services Team for approval prior to the work commencing.

Appendix 15.9:- 2005/6 Actual Costs Attributed to Repairs and Maintenance

		C09 & C10	E06	V01	F04	S00,01 &05	
Code	Details	Chief Executive (Libraries)	Children & Young People's Service	Environment	Finance (Property)	Social Services	Total
14000	R&M Programme Internal	£12,981	£13,143	£80,192	£24,929	£145,118	£276,363
14001	R&M Programmed External	£57,484	£1,202	£100,549	£178,649	£11,884	£349,768
14002	R&M Day to Day Internal	£3,427	£5,105	£29,626	£28,241	£20,652	£87,051
14003	R&M Day to Day External	£2,400	£384	£82,868	£454,887	£18,934	£559,473
14004	R&M Emergency Internal	£2,724	£300	£60,761	£21,935	£2,158	£87,878
14005	R&M Emergency External	£28,970	£466	£16,222	£39	£1,309	£47,006
14008	R&M HRA Pest Control	£3,452	£105	£1,544	£3,732	£12,347	£21,180
14020	Plant Maintenance	£0	£0	£0	£187,088	£0	£187,088
	Total Repairs & Maintenance	£111,438	£20,705	£371,762	£899,500	£212,402	£1,615,807