

## **REVIEW OF PROPERTY SERVICES**

### **Report of the Corporate Director, Corporate and Support Services**

#### **1 Introduction and Purpose of Report**

This report outlines the outcomes of the recently undertaken review of the current arrangements for property services taking into account the strategic context for the transformation of local authority estates. The report sets out the options considered appropriate for the future provision of property services to the Council and includes proposals to commence a procurement process to determine new arrangements for the provision of property services to the Council.

#### **2 Information**

##### **2.1 Current Service**

The Council's current provider of property services is NPS Stockport Limited. This is a joint venture company with Stockport Council created in November 2006, 80% owned by the Norfolk Property Services (NPS) Group and 20% Stockport Council. The Company was created by bringing together the Council's Corporate Property Service with the established NPS to provide a more business-like approach to the management of property assets.

##### **2.2 Strategic Context**

2.2.1 The public sector faces an unprecedented period of change. Reduced funding together with increased expectations of outcome improvements will create both challenges and opportunities. In view of the deficit reduction agenda and the move towards greater collaboration between public sector agencies in the delivery of local community services, there is a continuing requirement to transform Council's operational and non-operational property portfolios. The Council's desire to use property has changed with greater pressure to utilise assets to deliver public services in a targeted and efficient manner. In addition, the increasing desire to work collaboratively within AGMA provides both a driver and an opportunity to review property services on a sub-regional basis.

2.2.2 In responding, local government and partner organisations must radically improve their approach to the use of their assets and other resources, focused on improved strategic planning and efficient delivery to support the achievement of their priorities. Physical assets (and, in particular, property and technology assets) can be used as a key driver of transformational change. There is a fundamental link between strategic asset planning and the

delivery of key priorities by Councils, for example, Localities Working and Place Shaping. Opportunities for co-location and integration, both within Councils and by them with other public sector bodies, can be achieved by Councils taking a leading role in this joined up approach to asset use – potentially delivering both direct efficiencies and improved service outcomes.

2.2.3 In short, there is both a need and a real opportunity for the Council, in conjunction with its partners, to set strategy for and deliver and use assets more effectively as a key component of achieving goals and priorities.

## 2.3 The Role of Property Services

2.3.1 The Council's property service aims to support the Council Plan and the Community Strategy, and has responsibility for the delivery of the Council's Estate Strategy and Asset Management Plan. In addition to this, the Council has an ambitious regeneration agenda and its assets can play an important role in supporting this programme of work. The Council wishes to utilise its assets to facilitate and support place shaping in the community.

2.3.2 The current role of the NPS property function involves:

- Estates (operational and non-operational assets) management
- Strategic Asset Management
- Facilities management (maintenance, statutory FM services)
- Professional services (acquisitions, disposals, valuation, surveys)
- Architecture/ Design and construction management

2.3.3 The Council owns and manages a large property asset portfolio with an overall asset register value of around £809m in existing use of all land and property managed. This portfolio has three main elements comprising housing, schools, and the corporate estate (leisure, community, offices buildings, etc). This portfolio will have changing future asset needs to enable it to meet priorities. The corporate estate has an estimated value of £153m with a Single Property Budget in 2011/12 at £4.857m.

2.3.4 In order to respond to these needs, whilst ensuring high quality services, the Council must now strengthen its role in strategic asset planning to ensure delivery of projects, asset management and achievement of targeted outcomes. Therefore, a revised and integrated operating model needs to be considered for delivery of property services to allow it to develop capability in and focus upon a more strategic role. Any proposed new operating model and relevant procurement strategy should allow for the flexibility that will undoubtedly be required over the coming years if Stockport is to deal effectively with the challenges and opportunities with which it will be faced.

2.3.5 The Council currently maintains a 'thin client' property service approach to manage the NPS property function and to provide strategic advice on property. To support the requirement to develop and deliver strategic asset management and property services to is recommended that the client function is strengthened within existing resources and potential collaboration. This will help ensure that the Council's priorities and requirements are met by the future property service.

### 3 Property Services Review

- 3.1 NPS Stockport Limited was created in 2006 to respond to circumstances at the time. Since its formation in 2006, NPS Stockport has invested over £430,000 in capital investment, £1.6M in accommodation and has returned the following volume discount payments back to the Council :

<b>Year</b>	<b>Amount (excluding VAT)</b>
2006/7	Nil
2007/8	£30,305
2008/9	£92,633
2009/10	£179,388
2010/11	£22,094

These figures exclude the significant expenditure on staff training. NPS has committed the investment based on the 15 year partnership so any early termination will have significant financial impact for the shareholders. There is evidence of good practice within the Company since its creation which has resulted, for example, in the delivery of the BREEAM Excellent rated Fred Perry House, and it has continually met the financial targets set by the Council.

- 3.2 However for the reasons stated in Section 2, it is an appropriate time to review the current approach. This review of the Future provision of property services has now been undertaken. The review comprised an assessment of the current situation, the identification of options, and proposals for an improved model for delivering property services to Stockport.
- 3.3 The results of the review confirmed that it was an appropriate time to review the current arrangements and to consider subjecting the services to market competition. Due to the changes in circumstances and the changing future demands placed on public sector assets, the review concluded that the Council should re-specify its property services requirement and consider options for the future delivery of services.
- 3.4 The review identified that the current Property Services operating model and procurement arrangements may not offer the most appropriate approach to ensuring best value is achieved relative to the changing needs of Stockport and the prevailing market conditions and capacity. It is recommended that the market is approached to determine the type of revised operating model that would be required to support Stockport in achieving better value and the realisation of cost savings and efficiencies.
- 3.5 The review of the NPS property service suggested that the tendering of these services would enable the Council to re-specify its property requirements and deliver a better estate and asset management function that provides the following key benefits:

- Delivery of property services aligned to the Council's Estate Strategy and Asset Management Plan.
- Skilled and resourced estate and asset management functions.
- Incentivise cost savings on behalf of the Council
  - Focused development of strategy to meet corporate priorities.
  - Flexible, proactive, innovative and incentivised service delivery that maximises value for money benefits.
  - Strategic performance management against defined and measurable standards.

3.6 Currently NPS Stockport employs some 70-80 staff and it is recognised that any changes in the future provision of the existing arrangements will need to ensure that TUPE applies. This will be made clear in any future tender documentation.

#### **4 Summary of Options Proposed**

4.1 The review undertaken of the services of the current provider (strengths and weaknesses) considered the Council's requirements as well as best practice for public and private sector property occupiers and drew from similar studies undertaken elsewhere. A number of options for future delivery were identified and appraised, as follows:

- i. Base case – maintain the status quo and not subject the existing arrangements to market competition.
- ii. Retain NPS Stockport subject to a review and renegotiation of the existing contract.
- iii. Transfer all services back to Council to be delivered in-house.
- iv. Procure a Strategic Partnership joint venture between the property client and a private sector partner. The partnership would concentrate on strategic work and appoint a property services supply chain. This vehicle would also enable other local authorities and public sector organisations to join as partners.
- v. Procure a contractor to provide property services, either a single provider, best in class providers or via a framework.

#### **5 Options for Future Provision**

5.1 It is considered that the following four options should be further explored to establish which one is the most economic and efficient way forward, in particular to provide a strategic approach to the delivery of the future provision of property services:

1. *Establish a Strategic Partnership Joint Venture*

A partnership vehicle would be established between the Council (and other partners, as appropriate) as the property client and a private or public sector partner. This would require a procurement process to select a suitable partner to provide a strategic capability. Whilst this can be a lengthy process, a workable and deliverable business plan would be worked up through the procurement process to ensure that the successful partner is aligned to the Council's corporate objectives. The business plan would incorporate appropriate review clauses and incentivised fee mechanisms to drive innovation and service delivery improvements. This is different from the current arrangement with NPS which is based on a specified detailed service level agreement without flexibility.

2. *Procure several contractors to provide identified services*

Procure several contractors to provide services to the Council as property client. This option will require the procurement of a number of service providers. The key difference is that the Council will identify the services that it requires, and appoint a single partner to undertake the delivery of a particular service. The contractors will be appointed on a fixed term contract that has less flexibility to change with evolving Council requirements.

3. *Procure a framework of contractors to provide services*

The Council would procure a framework of contractors on a project by project basis effectively 'cherry picking' the contractor that best fits the service delivery requirements. This enables the Council to benefit from the experience of a private sector organisation whilst offering the flexibility of not being tied to a particular service provider. It would be a single procurement exercise that negates the need for individual procurements for each new project that arises. If this option was explored further, the Council would ensure that the appropriate levels of protections were included in the contract documentation to ensure that TUPE applied to future arrangements.

4. *Transfer all services back to the Council to deliver in house.*

After consultation with the Unions, it has been agreed that the Council will seek to explore this option further to establish whether such a proposal could deliver the desired strategic property, estate and asset management benefits that the proposed new procurement exercise seeks to achieve.

5.2 The remaining options have been discounted as they would not make a significant impression in terms of meeting the Council's strategic objectives

and would not be the most economic and efficient way of delivering property services.

- Base Case – Maintain the status quo. This option would see no change to the current arrangement and would not meet the transformational changes desired.
- Retain NPS Stockport Ltd subject to a review and renegotiation of the existing contract. Whilst the review of the existing service could bring about some improvements this option does not have the ability to significantly change the current arrangement and to include a wider remit of property related consultancy services.
- Procure a single service contract approach with a fixed contract to provide all services to SMBC as property client. This is not considered to be the most efficient approach.

5.3 It is proposed to commence a procurement process which is anticipated to be completed by February 2013.

## **6 Conclusion**

6.1 On the basis of the strong recommendations arising from the review it is proposed that authority be sought, subject to existing arrangements, to prepare a tender for competition for the future delivery of property services. This will require the drafting of an output specification that will be aligned to future requirements. This output specification would be enhanced by working collaboratively with other AGMA authorities and public sector partners. This will include considering designing an output specification which could potentially meet the combined requirements of the various public sector organisations within the Borough and its neighbours. Following this it is proposed that the recommended options are soft marketed tested to determine the market appetite for delivering the best model.

6.2 A change in provider will obviously have TUPE implications for the employees within NPS. Full consultation with employees and trade unions will be undertaken and the relevant protections provided by legislation will be adhered to.

6.3 It is planned that a report will be submitted to the Executive Meeting on 6 February which will recommend delegation to the Corporate Director, Corporate and Support Services to commence a tender procurement process for property services in whole or in part that will deliver a proposed revised operating model that will meet the Council's priorities, allow best value and wider change to be delivered from the property assets, and to terminate the current service agreement with NPS, such termination to coincide with the commencement of new property services.

## **7 Recommendation**

The Scrutiny Committee is asked to comment on the report and to determine whether it wishes to make any specific observations to the Executive meeting.

### **BACKGROUND PAPERS**

Executive Report and Decision Summary Sheet dated 09 October 2006

Anyone wishing to inspect the above background papers or requiring further information should contact Murray Carr on telephone number 0161 474 3649 or alternatively email [murray.carr@stockport.gov.uk](mailto:murray.carr@stockport.gov.uk)