

Appendix B

Worcestershire Enhanced Two Tier Working

Property Services



Detailed Business Case

Executive Summary

Version 1
November 2009

Worcestershire Two Tier Property Services Detailed Business Case

Executive Summary

This document proposes a District & County Council Partnership for delivering shared Property Services in Worcestershire.

The vision:

County Council as host of a combined Property Service, operating within a single management structure, providing the entire range of Property Services under agreement to District Council Partners, which will enable a more coherent approach to the management of property assets across Worcestershire.

Business case Headlines

- **Economies of scale:** Rationalisation of estate, combined procurement through combined purchasing power and reduced support costs & overheads
- **Resilience:** Improved capacity – sharing of resources and skills
- **Savings:** Accumulative savings of 15% revenue against existing revenue budgets over 3 years i.e. £452K of savings for District Partners. Opportunities for additional savings for the County Council through increasing efficiency over the initial 3 years of the Partnership.
- **Value for Money / Performance:** Partner performance will be sustained during economically challenging Local Government environment, at reduced cost.

Outline of the proposal.

The business case supports the development of an integrated Property Services function with all participating Council partners operating within a single management structure. This will allow a central team to be created which has the resilience, shared expertise and economies of scale to provide a broad and effective property service base for the communities of Worcestershire.

The model proposed focuses on service excellence and service resilience through building on existing good practice. Delivery of property functions through a centralised hosted service provision is considered by the project team members to be well placed to provide a much improved service to each participating partner.

It will provide an integrated coherent approach to strategic asset management and act as a vehicle to follow the recommendations as set out in the Audit Commission's recent publication – 'Room for Improvement'. It will also provide a more joined up approach to the Worcestershire Local Area Agreement themes.

By combining property functions both strategic and operational, it is anticipated that efficiencies through economies of scale will be achieved, benefitting all participating partners and providing a viable response to impending further budget pressures expected over the coming years.

In combining property services its contribution to other local government services such as planning, highways, education and the wider sustainability agenda will be enhanced. The business model will include a core of Property Service functions which would form the initial service portfolio, with opportunities for a broader portfolio as the service is developed and embedded.

The following Councils are contributors to the business case:

- Worcestershire County Council
- Worcester City Council
- Bromsgrove District Council
- Redditch Borough Council
- Malvern Hills District Council

Wyre Forest District Council and Wychavon District Council are not part of this business case at this stage however; they have been involved in the entire programme and have the opportunity to join at a later stage.

From the outset the Chief Executives Panel has made it clear that any shared service must consider three key principles:

- Delivery of service improvements and improved performance for all stakeholders
- Reduced pressure on the budget both overall and for each participating local authority
- Increased resilience to meet the demands placed on the service.

The integration of these services will result in a more coordinated service delivery that will benefit the people and businesses of Worcestershire.

Subject to the approval of this business case, the Shared Service approach for Property Services could become a mentor for further Shared Service initiatives.

The key Drivers & Benefits

Ref: 'Section 7' (Drivers for Change) of the WETT Regulatory Services Detailed Business Case V10

From the outset the Worcestershire Chief Executives & Council Leaders have made it clear that any shared service must consider three key principles i.e.;

1. Service Improvement & Increased Efficiency
2. Cost Savings & Return on Investment
3. Centralised Service Delivery

Examples from the business case include:

Best Services for Local People: Better position to meet local service user needs

Provide central resilience: Improved capacity – sharing of resources and skills, improve career structure, personal development and ergonomics & improved partnership working.

Continuous improvement at a reduced cost: Eliminate duplication, overlap & redundancy in processes & working practices, standardised services and quality.

Economies of scale: Rationalisation of estate, combined procurement, ICT integration & reduced support costs & overheads

Consistent approach in service delivery for common problems (asbestos, carbon, energy management): Uniform processes for common problems (asbestos, carbon & energy management), policy alignment (customer perception is the key driver – common policy framework needs to have flexibility to meet local needs) & improvement in compliance

Increased flexibility and opportunities to share staff: No geographic boundaries between services to customers, no political boundaries between services to customers, shared resources – people, processes, systems & shared allegiance

Future proof services: Protect Political Sovereignty within 2 Tier (Governance – process 'all decisions will be signed by all relevant authorities'), control own destiny

Scope

Ref: 'Section 6' (Scope) of the WETT Property Services Detailed Business Case V6

The overarching scope for this business case is about bringing together the District and County Council Property Services function to deliver an enhanced and robust service to all the customers who currently sit in each authority. The overall intention is to improve customer focus coupled with optimising the less visible elements of the service through simplification, standardisation and sharing.

It was agreed that the scope will contain the following for Property Services.

- Strategic Asset Management advice
- Financial Control
- Estate Management
- General Services
- Capital Improvement Projects
- Premises Management
- Asset Maintenance

Finances & Cost Savings

Ref: 'Section 10' (Finance) and 'Appendix 6' (Financial Data) of the WETT Property Services Detailed Business Case V6

Methodology and Savings Delivery: Governance for the shared Property Service will be through Service Level Agreements between the County Council, as the host, and each of the participant District Councils. It is envisaged that each District Council will bring into the Shared Service its full current Property Service expenditure budget, including all direct employee costs and related supplies and services, as well as repairs and maintenance budgets.

Under the Service Level Agreement, each District Council will receive a service to at least the same level as is currently delivered in-house; each District Council will also receive a cumulative saving of 5% against total employee, supplies & services and repairs & maintenance expenditure for each of the first three years of operation of the shared service (15% cumulative saving after three years).

Facilities-related expenditure will also be included in the scope of the Shared Service, but will be treated as a separate expenditure budget line. While savings are likely to accrue to District Councils from premises-related items, for example through the negotiation of joint contracts for utilities procurement, these savings are not quantified in this business case, but will be allocated to Shared Service partners as they arise. The detailed methodology for savings distribution will be set out in the Service Level Agreement.

Table F1 below sets out the current expenditure budget of each District Council, as provided by the Councils' Finance Departments, at 2009/10 levels.

| Table F1 – Current District Council budgets | Bromsgrove DC £ | Malvern Hills DC £ | Redditch BC £ | Worcester City £ | Total DC Expenditure £ |
|---|------------------------|---------------------------|----------------------|-------------------------|-------------------------------|
| Employee Costs | 147,000 | 93,000 | 597,000 | 396,000 | 1,233,000 |
| Supplies & Services Costs | 4,000 | 4,000 | 35,000 | 77,000 | 120,000 |
| Repairs & Maintenance Budget | 118,000 | 72,000 | 612,000 | 858,000 | 1,660,000 |
| Total Baseline Expenditure for savings calculation | 269,000 | 169,000 | 1,244,000 | 1,331,000 | 3,013,000 |
| | | | | | |
| <i>Facilities-related Expenditure</i> | <i>288,000</i> | <i>241,000</i> | <i>1,325,000</i> | <i>160,000</i> | <i>2,014,000</i> |
| Total Property Service Budgets 2009/10 | 557,000 | 410,000 | 2,569,000 | 1,491,000 | 5,027,000 |

Table F2 shows the level of savings which will accrue to each district. The table demonstrates the achievement of 15% savings by Year 3 based purely on direct expenditure. It should be noted that there is further potential for Districts to increase their savings achieved through reductions in internal support costs (recharges) via self-managed efficiencies. Figures are not modelled in detail in this business case, but it is thought that an additional saving of up to 20% of support costs could be achieved by each District Council.

| Table F2 – Indicative savings delivered to District Councils | | Current Budget £ | Year 1 £ | Year 2 £ | Year 3 £ |
|--|--|------------------|------------------|------------------|------------------|
| Target saving (cumulative): | | N/a | 5% | 10% | 15% |
| Bromsgrove DC | Savings (cumulative) | N/a | (14,000) | (27,000) | (40,000) |
| | Total expenditure (excl facilities) | 269,000 | 255,000 | 242,000 | 229,000 |
| Malvern Hills DC | Savings (cumulative) | N/a | (8,000) | (17,000) | (25,000) |
| | Total expenditure (excl facilities) | 169,000 | 161,000 | 152,000 | 144,000 |
| Redditch BC | Savings (cumulative) | N/a | (62,000) | (124,000) | (187,000) |
| | Total expenditure (excl facilities) | 1,244,000 | 1,182,000 | 1,120,000 | 1,057,000 |
| Worcester City | Savings (cumulative) | N/a | (67,000) | (133,000) | (200,000) |
| | Total expenditure (excl facilities) | 1,331,000 | 1,264,000 | 1,198,000 | 1,131,000 |
| All District Councils | Savings (cumulative) | N/a | (151,000) | (301,000) | (452,000) |
| | Total expenditure (excl facilities) | 3,013,000 | 2,862,000 | 2,712,000 | 2,561,000 |

Savings Realisation: It is envisaged that savings will be realised in three main ways: procurement savings on construction, maintenance and service contracts, savings in agency staff costs, and a minimal level of savings in direct employee costs.

The source of the procurement savings is twofold:

- Reductions in unit costs due to bulk purchasing - the County Council currently manages much larger building maintenance and service contracts than any of the other authorities and, as a result, is able to achieve a lower unit cost. By adding the District Councils' properties to the County contracts, the benefits of these lower unit costs can be extended.
- Reductions in the cost of procuring work - currently each District has to organise its own cyclical maintenance contracts. By adding these building maintenance requirements to the County's current contracts, the unit cost of procuring the service can be reduced.

The business case shows procurement savings being phased in over three years on the assumption that it will be necessary to run down legacy arrangements and contracts before the full benefits of the collective purchasing arrangements can be delivered.

The County Council currently incurs approximately £345,000 per annum in external agency staff costs. By rationalising the staffing structure and redeploying employees within the Shared Service, it is forecast that the majority of these agency staff costs can be eliminated, to deliver savings of £275,000 after three years. In addition to savings on agency staff, it is also envisaged that rationalisation of the staffing structure will enable some level of savings in direct employee costs from the second year of operation.

Table F3 below shows the detail of how savings are forecast to be realised:

| Table F3 – Savings Realisation | | Year 1 | Year 2 | Year 3 |
|---------------------------------------|-------------------|------------------|------------------|------------------|
| | | £ | £ | £ |
| Procurement savings | Annual | (100,000) | (60,000) | (60,000) |
| | Cumulative | (100,000) | (160,000) | (220,000) |
| Agency staff savings | Annual | (75,000) | (100,000) | (100,000) |
| | Cumulative | (75,000) | (175,000) | (275,000) |
| Employee savings | Annual | 0 | (50,000) | (50,000) |
| | Cumulative | 0 | (50,000) | (100,000) |
| Total savings | Annual | (175,000) | (210,000) | (210,000) |
| | Cumulative | (175,000) | (385,000) | (595,000) |

Funding of Shared Service: Additional support costs for Worcestershire County Council as the host of the Shared Service have been forecast, based on 48 additional employees (FTE rate), and a workspace occupancy rate of 65%. Costs have been allowed for accommodation, ICT recharges and Human Resources recharges. It is assumed that legal support costs will be retained by individual councils. Additional costs have been phased in over the three year implementation programme.

It should be noted that there are no fixed savings planned against the County Council's direct expenditure budget as, since 2006/07, total savings of £423,000 have already been delivered by the County Council's Property Services department against staffing budgets. However, under the current model, the County Council will benefit from any savings which are delivered in addition to the agreed levels in Table F2 above.

The following table (F4) indicates how the Shared Service is to be funded, based on a model of fixed savings delivery to District Councils. It should be noted that under this model, the risk of non-delivery of savings lies with the County Council, as District Council savings would be delivered at a fixed level under the Service Level Agreement. The indicative model below shows a £6,000 deficit on the Shared Service in Year 1, during implementation, which it is assumed can be absorbed by the County Council. By Year 3, the model shows that net savings of £475,000 can be achieved, of which £452,000 will be allocated to districts, leaving a small annual surplus of £23,000.

| Table F4 – Funding of Shared Service | Current | Year 1 | Year 2 | Year 3 |
|---|------------------|------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Total savings (cumulative) | N/a | (175,000) | (385,000) | (595,000) |
| Total additional costs (cumulative) | N/a | 30,000 | 70,000 | 120,000 |
| Net savings | N/a | (145,000) | (315,000) | (475,000) |
| Total cost of service (excluding premises) | 9,969,000 | 9,824,000 | 9,654,000 | 9,494,000 |
| | | | | |
| Funding from Districts (see Table F2) | 3,013,000 | 2,862,000 | 2,712,000 | 2,561,000 |
| County budget | 6,956,000 | 6,956,000 | 6,956,000 | 6,956,000 |
| Total funding available | 9,969,000 | 9,818,000 | 9,668,000 | 9,517,000 |

| | | | | |
|--|----------|--------------|-----------------|-----------------|
| | | | | |
| Deficit/(Surplus) on Shared Service | 0 | 6,000 | (14,000) | (23,000) |

Governance

Ref: 'Section 9' of the WETT Property Services Detailed Business Case V6

The project group have discussed two clear governance options that could be in place for a Property Shared Service.

Option 1: Direct management by Worcestershire County Council on behalf of all. Thereby each authority buys the service from the host under an SLA arrangement; however there is a performance board in place to manage performance on quarterly basis.

Option 2: Appointing a joint committee of elected members to oversee all activity with the participating authorities delegating decision making and policy approval to the committee and officers of the joint service.

The group have recommended Option 1 for the shared Property Service.

Service Managed by SLA vs Joint Committee

The table below outlines the positive and negative aspects of options 1 & 2 for the management/ oversight of the proposed shared service.

| SLA Managed Service vs Joint Committee | | | |
|--|---|---|---|
| SLA Approach (Option 1) | | Joint Committee (Option 2) | |
| Advantage | Disadvantage | Advantage | Disadvantage |
| Robust and Flexible SLA | Members perceive lack of political influence | Ensures political link back to constituent authorities. No democratic deficit | Bureaucracy around organising committees & associated costs |
| Able to agree clear output levels for some aspects of work. | Members may feel that they do not have enough influence on the host authority | Decision making based in one area | Lose the benefit of economies of scale and stream lining the services by not adopting the host authorities scheme of delegation |
| Can agree some specifics of local provisions through SLA | | | May not take into account variations in property functions across the participating councils. |
| Members can generally get involved in performance management of service on output. Oversee and influence | | | Timescales for making commercial decision may be affected |
| | | | May tend towards standardisation of service provision. |

Management & Staffing arrangements

Ref: 'Section 11' (HR) & 'Section 8 (Option Appraisal)' of the WETT Property Services Detailed Business Case V6

Central to the realisation of a combined Property Services function is the effective retention, management and development of the workforce.

Partners will treat this as a TUPE situation and the transfer of staff will be as it would be in a TUPE situation. This approach was pursued under the Hub Shared Service arrangements, and both County and District Councils have experience and understanding of the process involved.

It has already been provisionally agreed that Worcestershire County Council will be the host employer under this proposed Property Service. Staff will therefore transfer to the employment of the County Council with effect from 1 April 2010.

In order to realise the key objectives outlined above in this paper, some redesign of service delivery will be necessary following the transfer. Service integration will be primarily achieved in the following way:

- 1) At the date of transfer, those staff within scope will transfer to Worcestershire County Council as the host employer on their existing job descriptions and terms and conditions of service under TUPE. It is anticipated that the effective date of transfer will be 1 April 2010.
- 2) In line with the business plan and key objectives and in order for the new service to become fully integrated it is envisaged that the service will be delivered in a significantly different way going forward. To achieve this there will be a requirement to restructure the workforce in order to deliver a more streamlined and efficient service. This may involve substantial changes to duties and responsibilities of much of the workforce and may lead to staff reductions. A proposed new staffing structure will be developed with appropriate job descriptions. This will be supported by a protocol which will agree the process for appointing and assimilating staff to the new structure. It is proposed that posts within the new structure would fall under a single set of terms and conditions of service i.e. those of Worcestershire County Council. All of the above will be subject to collective and individual consultation with staff and unions as applicable, and following required notice arrangements.
- 3) Future costs will be agreed via legal agreement between the relevant parties to ensure costs are shared proportionately in relation to any redundancy liabilities and any subsequent claims associated with achieving the new structure and service integration.

Performance

Ref: 'Section 12' (Performance & Workload), 'Appendix 4 (Performance & Workload Data)' of the WETT Property Services Detailed Business Case V6

Appendix 4 shows the main property measurements in order to briefly describe the combined portfolios of the five councils and the scale of organisation the County will become to manage that portfolio. These figures may be taken as a guide as each authority formulates their own data and sometimes follows different methodology.

The combined asset valuation of the portfolio is £968 million made up of £922 million operational buildings and £46 million non operational, which are income generating properties rather than service delivery facilities.

The type of operational buildings held by the County is significantly different from that of the Districts, due largely to its education function (i.e. 241 schools). This variety in the portfolio requires an understanding of the different clients needs. Different levels of professional expertise and experience as well as expenditure on, for example, listed buildings, require careful management.

Non Operational buildings however show an even more disparate variation of types and here the Districts hold much more value (actually and proportionally) than the County. The Districts hold a large portfolio of holdings of £32m, which are a vital income source.

The Property Performance Indicators are recognised industry standard measures but are subjective. In simple terms the more properties in the higher conditions of A and B should relate to a lower total maintenance backlog estimated cost and an appropriate level of maintenance to keep those buildings there. This is a subjective analysis but shows that the County's portfolio is in better condition and therefore has a reduced backlog liability. The Districts have less in good condition and a higher proportionate backlog. There are however significant differences in approach to maintenance spend which is both policy and portfolio driven as the type of building may require significantly different approaches to maintenance i.e. at the two extremes - new build and historic listed buildings.

Levels of capital (£71 million compared to £2.3m) and revenue repair & maintenance expenditure are also significantly different as the County currently has a large Building Schools for the Future initiative.

These various factors affect the staffing levels and officer expertise contained in each organisation. The County has a higher proportion of designers for the major capital programme works and Districts concentrate on maintenance and estate management staff. There is a risk for each District that they will not be able to afford the same enhanced property service as that of the County. Therefore the individual Service Level Agreements need to match staff and building funding with appropriate service aspirations to avoid conflict with actual performance.

Transformation

Ref: 'Section 5' (Transformation) of the WETT Property Services Detailed Business Case V6

The participating Councils each vary in the way in which they deliver property services. By bringing together Property Service functions under a single management structure it will be possible to provide a more coherent and consistent approach to the management of property assets across Worcestershire.

Once the model is in place the new Property Service will be able to transform service provision by providing a more comprehensive and co-ordinated service in the following areas: procurement, rationalisation of staff and structures, rationalisation of estate, and joined-up thinking and other stakeholder sector opportunities. Once the procurement model and rationalisation of staff and structures have been initiated the more robust transformational change will be possible by rationalising the combined estate to achieve capital and revenues savings and pursue a more collaborative joined up thinking approach with the 3rd sector and other stakeholders to achieve a genuine lean thinking approach to assets and the way services are delivered across Worcestershire.

In order for this business case to deliver transformational change and efficiency it is important to adhere to challenging timescales which are detailed below:

Procurement: The collaborative procurement initiative will be in place from the 1st April 2010 and will be delivering initial savings by 31st March 2011. Please refer to section 10 - Financial Analysis of the detailed business case.

Rationalisation of staff and structures & working practices: The process will begin on the 1st April 2010. In the first year the host council will align and rationalise staff structures to the broad model of the host Council. Phased savings will be realised commencing from the 1st April 2011 to the 31st March 2013.

Rationalisation of estate: There may be some quick wins through easily identified early disposals and minor rationalisation, however it is envisaged that the majority of capital receipts and revenue savings will be captured after 1st April 2013 onwards.

Joined up thinking, 3rd sector opportunities and other stakeholders: This will be on the agenda from 1st April 2010 as a national challenge and will impact on all of the above elements of transformational change.

ICT

Ref: 'Section 13' (ICT) & 'Appendix 7 (ICT Issues Log)' of the WETT Property Services Detailed Business Case V6

The Business Case assumes that the County will host this service. County's Property Service is planning to modernise its core systems, both to reflect current requirements and to enable further transformation of the service and deliver internal efficiencies.

In light of the Shared Service proposal, the project to update this system has been broadened to include the additional requirements that would arise from providing property services to a range of district council customers.

On that basis, it is not anticipated that there will be any significant ICT application development costs to be borne by this project.

Flexible and remote working / transition: The business model assumes that there will be "hot desk" facilities at a number of locations around the County. When the core systems are fully live, these will provide access to systems provided by the host authority.

During the transition phase, it is anticipated that staff at any one location will need access to systems located at other locations.

The business model assumes that there will be "hot desk" facilities at a number of locations around the County. Staff at any one location will need access to systems located at other locations. This will put an additional strain on the capacity and resilience of the authorities' ICT networks, and the links between them.

Following discussions between the various ICT Managers, an approach has been agreed to fund additional county wide network capacity from existing budgets. The County Council will meet the capital cost as part of its forthcoming infrastructure upgrade. Revenue costs will be shared amongst the partners. It is anticipated that the additional revenue costs for districts will be offset by equivalent savings from existing network links.

It is not anticipated that there will be any investment needed with regard to telephony requirements specifically for the Property Service. However, it is worth noting that a significant increase in flexible working arrangements will at some stage put a strain on telephony facilities across the WETT partnership.

Appendix 7 of the Property Services detailed business case sets out a log of potential ICT issues.

Implementation

Ref: 'Section 14' (Implementation Plan) of the WETT Property Services Detailed Business Case V6

Once the Detailed Business Case has been agreed by the participating Councils, a detailed Implementation Plan will be drawn up by the project Group.

The plan will cover the following key issues and set realistic timescales for completion which can be monitored by the PMG or Joint Committee. Of particular importance will be the need to create a new shared identity and culture for the service with the emphasis being on team building and developing staff.

Governance

1. Agree representation on SLA Managed Service
2. Establish scheme of delegation which fits in with the districts
3. Draft SLA's
4. Agree and sign off SLA's

HR

1. Consultation with Staff and Unions
2. Clarify TUPE and redundancy arrangements
3. Identify Training and Development needs
4. Allow time to embed the team

Organisational

1. Finalise operational structure
2. Confirm where teams will be based
3. Confirm with Host Authority support arrangements for shared service
4. Develop job descriptions for shared services staff
5. Arrange Job Evaluations where necessary
6. Redeploy or TUPE staff into new service

Service

1. Map existing processes and service levels
2. Consult with Staff, Members and Customers on service design
3. Agree new service level targets
4. Establish new operational and management processes based on best practise
5. Align policies where appropriate
6. Embed 'LEAN' principles into service design

ICT

1. Assess how ICT can best be integrated
2. Carry out ICT integration including data transfer
3. Purchase sufficient licenses for staff
4. Train Staff on new system
5. Explore options for home working

Risk

Ref: 'Section 15' (Risks) of the WETT Property Services Detailed Business Case V6

Effective risk management includes early and aggressive risk identification through the collaboration and involvement of relevant stakeholders. Strong leadership across all relevant stakeholders is needed to establish an environment for the free and open disclosure and discussion of risk.

Below are examples of the key risk areas identified by the project group. Further detail around these risks and the associated 'mitigation' plans are contained within Section 15 of the Property Services detailed business case V6

| No | Risk | Impact | Mitigation |
|----|--|--|---|
| 1 | ICT Integration -Data compatibility -system compatibility -To develop on time | Lack of being able to share property data easily and system not ready on time | Making sure at the very least we have web enabled property databases. Possibility of all authority adopting the single system database |
| 4 | Lack of political buy in | DBC will fail if all members aren't signed up | Robust communication plan and regular exchange of information between staff, senior officers and members. |
| 6 | Lack of property staff buy-in (inter-council) | Resistance from staff, lack of buy in so timescales aren't met and a dip in performance may occur | Regular and open dialog with staff. Robust communication plan. Standardise the messages cascaded. |
| 7 | Fail to achieve the savings | Failure to deliver the business case | Clear action plan for savings |
| 8 | Staff not operating out of County Hall / host authorities base on the transfer date | Makes it more difficult to integrate staff into the new system so therefore may impact on performance and service delivery | Ensure that the staff are integrated at the earliest opportunity. Review the host accommodation and HR process to enable the staff to be located at the host as soon as practically possible. |
| 9 | Staff consultation process not achieved in the timescales | Staff may not be in a position to TUPE transfer at the business case date | Implement the system for consultation to start as soon as possible |

Conclusion

The business case presents a core of Property Service functions which would form the initial service portfolio, with opportunities for a broader portfolio as the service is developed and embedded.

This offers economies of scale & increased resilience with a breadth of service provision being available to the Customer from a combined service, under a unified management structure. There will be savings to be achieved for District Partners and further scope for the County Council host to achieve additional savings once the service is embedded.

The model would see the County Council managing the combined service on behalf of the Districts, providing a long-term resilience in what is anticipated to be an extremely challenging financial environment over the next three years for Local Government.

Draft V1