

Subject: In-sourcing the GYBS Building Service

Report to: Executive Leadership Team – 16th July 2018
Policy and Resources – 31st July 2018

Report by: Head of Property and Asset Management

SUBJECT MATTER / RECOMMENDATIONS:

To consider the delivery of the GYBS Building Services function and identify opportunities to improve capacity and resilience of the service whilst rationalising delivery to reduce costs.

It is recommended that the committee approve:

- The transfer of the managerial staff, 4 employees from GYBS to GYBC Property and Asset Management
- Transfer the operational element of the GYBS Building Services team to GYNorse

1. INTRODUCTION/BACKGROUND

- 1.1 The GYB Services Joint Venture incorporates a range of services across Environmental and Building. This dates back to the original Delegation Agreement entered into in 2003. GYB Services deliver the day to day repairs and maintenance function together with the planned maintenance service across some but not all of the council's public assets portfolio.
- 1.2 In addition to GYB Services the council's Property and Asset Management team have responsibility for all of the council's public and commercial assets and have responsibility for the management of the service.
- 1.3 The delivery of the repairs and maintenance service has always been separate even prior to the Delegation Agreement with the services being delivered from the Borough Engineers and Borough Architects Departments never offering the opportunity to amalgamate services for improved delivery, reduced cost or improved value for money.
- 1.4 There are a number of challenges with the current model of delivery some of which are outlined below:
- No integration between GYBS and Property and Asset Management
 - Ongoing review of assets isn't undertaken by GYBS and therefore spend on assets is never questioned or reviewed
 - No clear identification of works to be undertaken, works do not form a planned programme with minor and major repairs being dealt with on an ad hoc basis
 - GYBS does not have a planned maintenance programme and to date has not undertaken stock condition surveys in relation to delegated assets
 - Visits to assets can be undertaken by both GYBS and GYBC teams indicating that there is potential to rationalisation of delivery
 - A lack of communications can see both areas undertaking works on the same asset again creating duplication and additional cost.

1.5 The Environment Committee at its meeting of 28th March 2018 approved that further options work be undertaken to transfer the Building Services function back to the Council.

1.6 As requested by the Environment Committee a range of options has been considered and this report identifies the most resilient, cost effective, efficient solution for the transfer of the Building Services function of GYBS.

2. CURRENT POSITION

2.1 Across the two service areas, Property and Asset Management and GYB Services, there are a total of 17 posts working on both management and operational delivery. There are a range of roles with six posts dedicated to asset management and a further 11 delivering the operational service.

2.2 The two areas of service together offer a breadth of knowledge and experience however at present these operate in silos with no clear working relationship or knowledge sharing processes in place.

2.3 The 11 operational staff currently working for GYB Services undertake a range of duties including electrical, carpentry, bricklaying, plumbing, painting and decorating.

2.4 With the current designations of duties the Joint Venture contract accounts for approximately 58% of the capacity through the general repairs and maintenance service and 65% through electrical and footway lighting delivery. The JV arrangement allows GYB Services to utilise the remaining capacity of the teams through opportunities to win additional contracts and undertake capital works and it would be fair to say that in recent year's spare capacity has been taken up through the capital works contracts from the council rather than external contracts.

2.5 The current service also includes a Maintenance Operative for Children's Playgrounds this role incorporates the repair and maintenance of the equipment with statutory quarterly inspection and monitoring returns in addition to the completion of any minor works identified by the annual external playground inspection.

2.6 Currently budgets in relation to all assets managed by GYBS are amalgamated and works carried out on an as and when basis for both responsive repairs and maintenance with no clear requirement for planned works. A works ordering system is operated by Norse although it remains difficult to extract financial information relating to specific assets.

2.7 The range of service undertaken through GYBS although wide ranging in relation to Environmental and Refuse for the building element of the service is relatively small and therefore means that economies of scale in most cases are not deliverable ie. savings in relation to individual trades (single points of failure) or the ability to expand the range of services on offer (minimal employees with relevant skills).

2.8 This report outlines the opportunities of bringing together the building elements of both the Council's Joint Venture and identifies service benefits and rationalisation. The GYNorse Joint Venture provides the operational delivery of the Community Housing Asset Management, building and associated asset services. This Joint Venture represents the larger service offering building maintenance functions and in the future could be aligned to deliver both the Community Housing and General Fund services.

- 2.9 By bringing together the GYNorse and GYBS building operational staff it would be possible to rationalise delivery to make savings across the service area with the additional benefit of increasing resilience through additional trade availability (no risk of single point of failure).
- 2.10 The merger of the two Joint Ventures in this area of delivery would also offer the ability to grow the service expanding the range of functions available and offering the service externally to commercial businesses through the Property Service Commercial portfolio to integrate repairs and maintenance contracts to our business tenants without increasing costs or staff provision.
- 2.11 With the merger of the Building functions across the two JV's it would be necessary to return the management function of the portfolio to the in-house Property and Asset Management team this would ensure that all strategic options in relation to the buildings to be coordinated through one service reducing duplication and addressing the challenges created through the current delivery model.
- 2.12 Recently changes within the Property and Asset Management Service have identified the need to have in-house provision for Quantity Surveying and Architectural services and these are now being advertised. This expansion offers the opportunity to provide a streamline service for feasibility, costing and development proposals, this restructure will provide an additional ability to review assets strategically to deliver best value and provide the opportunity to gain income generation through the introduction of alternative developments and feasibilities.
- 2.13 Over recent years external resources have been used to review opportunities ie Marks and Spencer, Equinox developments, contract management of capital works in a bid to deliver best value for the organisation it is recognised with the growing potential of development that this is financially inefficient and can lead to unnecessary delays. To address these issues and provide the opportunity for additional income the expansion of the skills within the team are essential.
- 2.14 The GYBS team includes electrical and mechanical expertise as well as civil engineering experience this together with the general building, capital, quantity surveying and design services will enable the in-house team to deliver a wide range of service for both internal and external customers.
- 2.15 The Council will then have the benefit of a large portfolio with the opportunity to undertake general fund, capital works and housing revenue projects and the use of an in-house service will reduce the requirement for external consultants.
- 2.16 Projects within the short term would include management of Equinox developments like Pops Meadow, Kitchener Road and small/individual Community Housing developments. Work to cost and develop investment schemes for bringing empty homes back into use and large development options around the redevelopment of HMO properties. The capital works identified for this year around the toilet refurbishments, seafront promenade repairs and children playground works would still be managed by the team but directly through GYBC rather than via the JV delivery.

- 2.17 Future resources of the building asset team will need to be monitored and the additional in-house resource will need to be cost neutral and this will be carefully evaluated over the coming months/years with the need to ensure that within the first 2 years of operation additional income generation of the team offsets any extra costs.

3. **FINANCIAL IMPLICATIONS**

- 3.1 It has been necessary to extensively review costs as part of the work to consider moving the asset management function back in house and any merger opportunities for the operational functions.
- 3.2 It is clear that the current delivery costs through the GYBS JV are not based only on the contract cost but incorporate an element of capital works to offset staffing costs, this income is neither guaranteed or should have been incorporated into the general delivery and therefore this report aims to also address how this may be managed going forward.
- 3.3 Considering just the contract requirements the evaluation identifies that resources at GYBS are 55% occupied in relation to general building works and 65% occupied in relation to electrical works the remained being used to provide resource to undertake capital works in-house. It is therefore clear that additional capacity within the team could be either reallocated or rationalised to create cost savings.
- 3.4 Although there has always in the past been an element of capital works providing income to offset the additional staffing costs this is neither guaranteed and should not have been built into the ongoing budget. It is clear however that with a small team such as GYBS should this income cease it would create delivery challenges and single points of failure in maintaining the service.
- 3.5 The financial calculations attached are based on actual costs of resource across GYBC and GYBS.
- 3.6 The following table illustrates the current JV Contract costs at present against the anticipated costs following transfer to GYBC and GYN.

Transfer of GYBS Services			
Description	2018-19 Base Budgets £	2019-20 Revised Budget £	Variance £
Expenditure:			
GYBS - Street Lighting	204,180	0	(204,180)
- Buildings	700,451	0	(700,451)
	904,631	0	(904,631)
GYBC Current Establishment	506,290	506,290	0
GYBC - Transfer of 4 Employees	0	182,918	182,918
GYN - Transfer of 7 Employees (Recharge to GYBC)	0	311,963	311,963
Materials & Subcontractors	0	329,000	329,000
Expenditure Total:	1,410,921	1,330,171	(80,750)
Income:			
Handyman	0	(25,000)	(25,000)
Beach Huts (internal recharge)	0	(20,000)	(20,000)
Income Total:	0	(45,000)	(45,000)
Total All: (Saving) / Cost	1,410,921	1,285,171	(125,750)

- 3.7 The JV productivity of 58% building and 65% electrical identifies the opportunity to reduce resources and the above table has taken the requirement for these levels as the anticipated cost.
- 3.8 Within the 2018-19 budgets there is approval for a total of £818,000 of capital works and in future years there is likely to be capital requirements although any recharge to capital has been excluded from the financial calculations of this report.
- 3.9 With the transfer of the operational staff to GYN this provides the opportunity for additional provision to be delivered through a more resilient service. There are a number of addition service elements which could be incorporated into a more resilient service provision for example the Handyman Service through Safe at Home, beach hut management/repairs service and the development of the commercial opportunity for a Repairs and Maintenance package for GYBC general fund tenants and prudent estimates in relation to these services have been included in calculations.
- 3.10 Services and resources would continue to be reviewed and rationalised as opportunities are presented.
- 3.11 The transfer also creates the potential to reduce the size of the maintenance budget at the Council's discretion having closer control over the pricing of works to drive better value for money. The JV manages a wide range of assets both buildings and infrastructure as part of this funding. Early indications identify that savings could be made and again these are incorporated into the table. It should be noted that these will be continually reviewed over the coming months/years to ensure best value. Saving in the range of £25,000 - £75,000 could be achieved without having a significant impact on services or condition of asset for the purposes of this report the lower range has been factored in.

- 3.12 Depending on the timing of the final transfer there will be in-year savings from the changes in operation, these are anticipated to be in the region of £60k for 2018/19. This will deliver part of the £200,000 saving from the GYBS review that was approved as part of the 2018/19 budget.

4 RISK IMPLICATIONS

- 4.1 The primary risks of this report are focused around the following areas:

- TUPE arrangements for the managerial staff – the detailed financial work undertaken as part of the development of this report is based on the costs of the service including revised rates of pension which minimised the risks of additional costs on transfer.
- Transfer issues between GYBS and GYN continue to be explored to understand if TUPE would apply given the overall umbrella organisation is Norse.
- Potential redundancy costs would be minimal with a proposal in a reduction of the operational element from 11 to 7 and these have been identified as a maximum of £26,148 however a recruitment freeze is now in place with the GYN contract in a bid to mitigate this further.
- The materials and subcontractors assume a saving of £50,000 saving in a full year compared to the current operation and there remains risk around the delivery of this with the changes to the operation of the service.
- It has been identified by GYBS that there may be an increase in allocation of overheads across other service areas as a result of the removal of the building services team, no allowance has been made for this possible increase although a figure of £60k has been indicated at the present time.
- Members will be aware that the 2018/19 budget as approved in February 2018 included delivery of a £200,000 saving from the joint review of the GYBS contract from 2018/19. This proposal will deliver a full year saving of £125k leaving £75k saving still to be identified. The in-year budget monitoring reports will monitor the progress of this and take into account the overall implications on the GYBC revenue budget.
- Loss of skills on transfer – it is possible as part of any potential transfer staff may decide to leave the service if this is the case a further review will be undertaken to consider impact and delivery to identify if any additional savings/opportunities can be identified
- Speed of transfer – consultation will need to be undertaken with the GYBS staff by GYBC and GYN it is anticipated that this will require a period of 2 months to complete and therefore costs in the detailed document have been calculated from October 2018 to accommodate this.

- 4.2 Transfer of the operational staff to the GYN service provides a resilient and rational solution to delivery, a wider breadth of tradesperson and increased capacity delivering similar services would be beneficial and offer stability for the staff.

- 4.3 It is clear that there will be a need to rationalise staff, the current staffing level is inefficient as demonstrated by the 58% and 65% productivity.

- 4.4 As mentioned above TUPE does apply to this transfer if only in relation to the managerial element of the service, the organised group are employed to provide a service to a particular client and the overall client (GYBC) will remain the same.

4.5 Inability after transfer to identify the savings on the general repairs and maintenance budget.

4.6 The removal of this work from the GYBS joint venture could have a detrimental impact on the joint venture's future profit generating potential as its ability to trade within the building/FM market within this partnership will be lost.

5. CONCLUSIONS

5.1 Consideration of the overall building function should not be based purely on financial savings and should be considered of both the long term operational benefits and opportunities.

5.2 The transfer would offer the rationalisation of trades and the resilience through volume that the stand alone GYBS function does not currently have.

5.3 Improved productivity without the reliance on Capital works to balance the overall staffing budget. As has been show above management costs the Capital Works budget has been removed from all calculations.

5.2 There would remain future opportunities for further resource changes and savings as projects expand/contract.

5.3 Further rationalisation of resources can continue to be considered once assets have been reviewed and are managed as part of the overall strategic delivery.

5.4 Consideration of this report by the GYBS Liaison Board will be undertaken on 24th July 2018.

6. RECOMMENDATIONS

6.1 To in-source the GYBS Building Services function by undertaking the following:

1. Transfer of the managerial staff, 4 employees from GYBS to GYBC Property and Asset Management
2. Transfer the operational element of the GYBS Building Services team to GYNorse.

7. BACKGROUND PAPERS

GYN Proposal for the transferred operational staff

Structure of Property and Asset Management Service – attached.

Area for consideration	Comment
Monitoring Officer Consultation:	Incorporated into report
Section 151 Officer Consultation:	Incorporated into report
Existing Council Policies:	
Financial Implications (including VAT and tax):	Considered and incorporated
Legal Implications (including human rights):	Considered and incorporated
Risk Implications:	
Equality Issues/EQIA assessment:	None
Crime & Disorder:	None
Every Child Matters:	None

Property and Asset Management

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