

CARLISLE CITY COUNCIL

Report to:- **Carlisle City Council**

Date of Meeting:- **13 January 2009**

Agenda Item No:-

Public

Title:- **BUILDING MAINTENANCE EFFICIENCY REVIEW**

Report of:- **Director of Community Services**

Report reference:- **CS 104/08**

Summary:-

At its meeting on 18 December the Executive considered report CS 100/08 which set out the background and action plan for efficiencies in the Building Maintenance Service. The action plan and recommendations were agreed by the Executive with a key initial action being streamlining of the management structure and reducing the workforce. The maximum cost of redundancies for the 6 posts involved is £375,700.

Recommendation:-

That Council approves a supplementary estimate of up to £375,700 to fund the costs associated with the redundancies identified.

Contact Officer: Michael Battersby

Ext: 7325

M Battersby

Director of Community Services

22 December 2008

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: CS 100/08



REPORT TO EXECUTIVE

PORTFOLIO AREA: ENVIRONMENT & INFRASTRUCTURE

Date of Meeting: 18 December 2008

Public

Key Decision: Yes

Recorded in Forward Plan:

Yes

Inside Policy Framework

Title: **BUILDING MAINTENANCE EFFICIENCY REVIEW**

Report of: **DIRECTOR OF COMMUNITY SERVICES**

Report reference: **CS 100/08**

Summary:

The report outlines the background and outcomes of an efficiency review into the Council's building maintenance operations. It outlines reasons why the financial targets are not being met and provides further details on the reduction of in-house resources.

Recommendations:

It is RECOMMENDED that:-

1. The action plan produced from the Building Maintenance efficiency review be approved.
2. The Council be asked to approve a supplementary estimate of up to £375,700 to fund the redundancy costs associated with the efficiency improvements.
3. The Director of Community Services be authorised to make virements within the overall Building Maintenance budgets in conjunction with the Director of Corporate Services.

Contact Officer: Michael Battersby

Ext: 7325

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 The Building Maintenance function has not met its financial targets for the past two years and this is being continued in 2008/9 with a forecast shortfall of £120,000. As a result an Efficiency Review has been undertaken and is included elsewhere on the agenda.
- 1.2 The review has identified a number of reasons for the current financial performance, the two main ones being:-
- (i) the balance of the Council's municipal maintenance programme has significantly changed over the past 5 years. There has been an increase in the need for specialist services, mechanical and electrical works etc together with new legislation related to Health and Safety. The current balance of trade skills does not match the work flow requiring specialised sub-contractors leaving a reduced budget for the existing workforce.
 - (ii) A large element of the buildings workforce were transferred to CHA in 2003 and at that time income targets for external work were established which, despite some non-Council work being undertaken, were with hindsight unrealistic. The response and involvement with the flood recovery masked the situation. A number of financial and information systems in place prior to the housing stock transfer need to be updated.
- 1.3 The review has provided the opportunity to review the nature of the service delivery and assess if it would be better delivered externally. It concludes that at the present time a smaller in-house multi-skilled team to deliver reactive work together with individual subcontractors/contracts for planned and specialist works provides the optimum solution. This may change in the future as the economic climate changes, the Property Review is progressed and opportunities for shared services emerge. These will require the market place to be regularly monitored.
- 1.4 An action plan has been produced (included as Appendix A) which sets out a range of actions and timescales. Once completed these would enable the current financial targets to be achieved. The savings generated would enable budgets to be re-aligned. Some of these actions have already commenced and there are those which require approval by Members.
- 1.5 The review identifies the need to reduce the size of the building maintenance team:-

- reduce the management structure from 3 to 1 employee
- reducing the workforce from 10 to 6 employees in trade areas where there has been capacity issues

There would be the need for some multi-skilling to provide a flexible and responsive team for reactive maintenance work.

A copy of the existing and proposed structure is included as Appendix B.

- 1.6 To achieve this the Council's Assimilation and Redundancy Policy and selection criteria be applied although as an initial step offers of Voluntary redundancy would be considered. Until such time as this process is completed, precise costs of this action can not be defined but the redundancy costs to the Council could range from £106,200 to £375,700. With the age profile of the workforce being such that the actual costs are likely to be nearer the upper estimate. The financial savings which would accrue would have a payback of 2.4 years for the highest cost scenario and less for any others.
- 1.7 The replacement of the existing financial management system Contractor plus is identified as a priority. Capital funding has been provided in the Council budget but progress has been delayed due to other priorities and the long term sickness of key staff in Corporate Services. The replacement and if possible migration to the corporate system is critical.
- 1.8 It should be noted that the implementation of the action plan will also require some virements within the Building Maintenance budgets to provide a sound and meaningful budget framework. These virements, will be financially neutral overall and will be done in liaison with the Director of Corporate Services.

2. CONSULTATION

- 2.1 Consultation to Date - External Companies, APSE, workforce and Trade Unions.
- 2.2 Consultation proposed - Employees and Trade Unions.

3. RECOMMENDATIONS

- 3.1 It is RECOMMENDED that:-

1. The action plan produced from the Building Maintenance efficiency review be approved.
2. The Council be asked to approve a supplementary estimate of up to £375,700 to fund the redundancy costs associated with the efficiency improvements.
3. The Director of Community Services be authorised to make virements within the overall Building Maintenance budgets in conjunction with the Director of Corporate Services

4. REASONS FOR RECOMMENDATIONS

Actions are required to improve the efficiency of the Building Maintenance service to enable the cost effective maintenance of the Council's operational assets.

5. IMPLICATIONS

- Staffing/Resources – The implementation of these actions will reduce the number of Council employees by 6 people. The delivery of the action plan will be achieved within existing resources.
- Financial – The Council is being requested to approve a supplementary estimate of up to £375,700 to fund employment termination costs to facilitate an improvement plan within the Building Maintenance Unit. The action plan as set out would provide future financial savings, the relevant payback period being 2.4 years in respect of the highest termination cost scenario and less of a payback period for others. Any such approval needs to be considered in the light of budget pressures identified during this years budget process.

It should be further noted that the implementation of the action plan shown as Appendix A would necessitate a number of cost neutral virements within the Building Maintenance accounts to bring about a revised and more meaningful budgetary framework. The Director of Corporate Services therefore concurs with the Director of Community Services request for delegated authority to make any necessary budgetary adjustments arising from the recommendations made in the action plan.

- Legal – Any dismissal of staff by way of redundancy must be done in accordance with statutory procedure and the Council's adopted policy.
- Corporate – The action plan has been considered and approved by SMT as the best way forward at the present time.

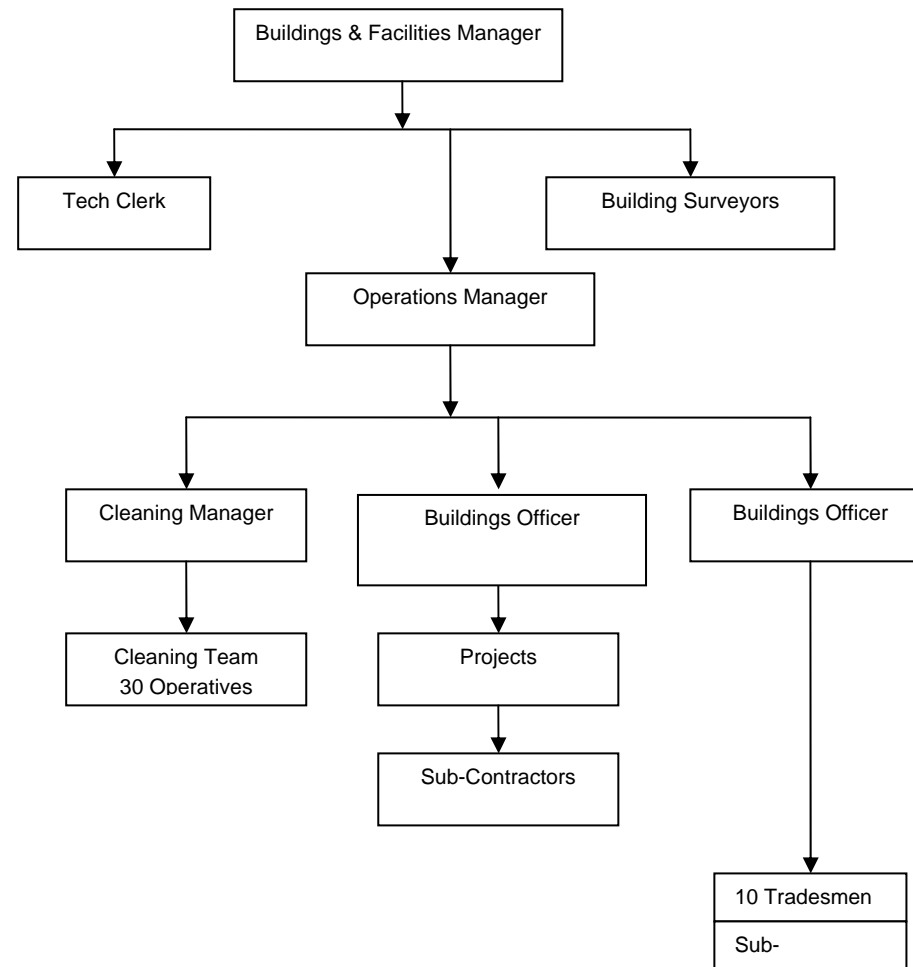
- Risk Management – The delivery of the action plan requires changes to be implemented each of which has a degree of risk. A mitigation measure adopted has to engage relevant employees in the review.
- Equality and Disability – N/A
- Environmental – The proposed changes will ensure existing budgets are re-aligned to meet the costs of the Council's maintenance programme in environmental terms.
- Crime and Disorder – N/A
- Impact on Customers – Users of the Council's operational buildings will not notice a difference as a result of the proposals set out in the action plan.

Table of Recommendations

Appendix 1

<u>Ref</u>	<u>Issues</u>	<u>Responsible Officer</u>	<u>Recommendations/Agreed Actions</u>	<u>Suggested Timescale for Completion</u>
3.8	There have been ongoing disparities over the years between certain elements of budgeted income and expenditure and financial reality within Buildings Maintenance, and these disparities are apparent again in 2008-09.	Senior Accountancy Assistant	That ongoing disparities are reviewed and addressed as part of the 2009/10 budget process and that appropriate virements are made where appropriate to provide a sound budgetary framework.	31 st March 2009
4.5	The interface arrangements between Contractor-plus and Civica Radius were working but in terms of financial and operational control there were apparent improvements that could be made immediately or in conjunction with the future consideration of an alternative system to Contractor-plus.	Development & Support Mgr /Principal Finance Officer	System improvements identified are implemented now or in the future in conjunction with the potential replacement of Contractor-plus, and that enhanced control mechanisms are introduced together with improved performance measurement.	Ongoing
5.2.9	When reviewed the standby arrangements did not seem to represent good value for money. The current workforce are under-deployed and no longer matches the available funding from existing base budgets and the situation is made worse by the decreasing levels of external work. The composition of the workforce is biased towards joiners and bricklayers, whilst the increasing portion of the base budget is for electrical and mechanical work	Buildings & Facilities Mgr & Personnel Off. Building & Facilities Mgr Head of Facilities	<ul style="list-style-type: none"> - the current standby and call out arrangements are reviewed. - the potential for developing additional workstreams from internal and external sources be investigated. - the size and composition of the Buildings workforce is reviewed as part of the 2008 budget process 	31 st March 2009 To be reviewed in conjunction with workforce composition. 31 st March 2009
5.3.7	The management/supervision to operative ratio for the unit was compared to other non-housing maintenance direct service organisations. The Authority is achieving 1 to 3.33, which is below average performance and well behind high performing Authorities which achieve ratios of 1 to 7. .	Head of Facilities.	The current organisational staffing structure within the Buildings Operations Unit is reviewed	31 st March 2009

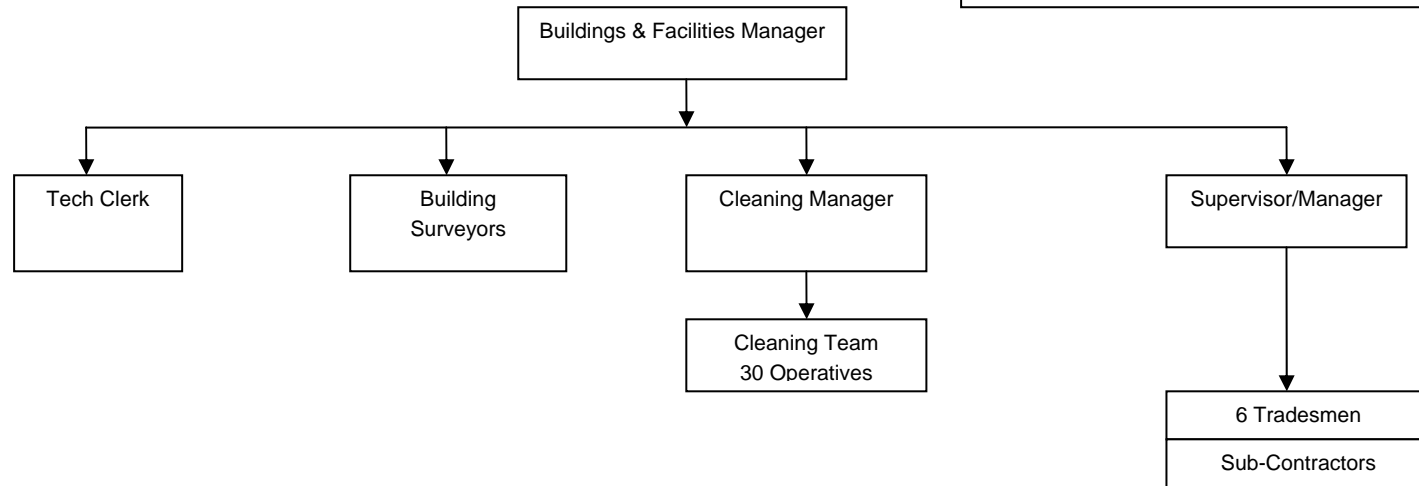
<u>Ref</u>	<u>Issues</u>	<u>Responsible Officer</u>	<u>Recommendations</u>	<u>Suggested Timescale for Completion</u>
5.4.4	<p>The Unit has a higher ratio of vehicles per operative than comparative operations and the vehicles are under-utilised with the average “operational mileage” per vehicle per year being around 3,850.</p> <p>The overall utilisation of the fleet includes a significant level of ongoing home to work mileage.</p>	<p>Buildings & Facilities Mgr.</p> <p>Buildings & Facilities Mgr</p>	<p>- An efficiency review of Transport holdings within the Buildings Maintenance Unit is undertaken.</p> <p>- The current policy of allowing home to work travel when tradesmen are not on call out is re-examined</p>	<p>31st March 2009</p> <p>31st March 2009</p>
5.7.5	There has not been a pricing exercise for non-stock materials for over 5 years. Staff are unaware of what current discounts arrangements exist with differing suppliers and whether good value for money is being received from historic providers.	Buildings & Facilities Mgr & Development Support Mgr.	Revised direct purchasing arrangements are considered by the Buildings Unit in liaison with the Corporate Services Procurement team	31 st March 2009
5.8.4	There is concern over the consistent overspending on sub contractors. There are no formal arrangements between operational management and surveyors for monitoring the overall targets	<p>Buildings & Facilities Mgr</p> <p>Senior Accountancy Ass. & Buildings & Facilities Mgr.</p>	<p>- Budgetary responsibility for sub-contracting expenditure within the Buildings Unit is appropriately split between the Operations Manager and Surveying staff.</p> <p>- Suitable management information reports are developed to monitor sub-contract costs</p>	<p>31st March 2009</p> <p>31st March 2009</p>
6.6	<p>Contractor-plus is widely used, well respected product but although is still be supported there is no further development as the suppliers are concentrating on developing a new system. The system was originally purchased mainly for reasons no longer relevant and funding has been put in place for its replacement.</p> <p>In March, another system supplier made a presentation to the Authority, however since then there has been little impetus.</p>	Development Support Mgr & Principal Finance Officer.	Due consideration of an adequate replacement of Contractor-plus is given a high priority	Ongoing



Appendix B1

**EXISTING
ORGANISATIONAL
STRUCTURE**

**PROPOSED ORGANISATIONAL
STRUCTURE**



EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 18 DECEMBER 2008

EX.312/08 BUILDING MAINTENANCE REVIEW (Key Decision)

With the consent of the Chairman and in accordance with Rule 15 of the Access to Information Procedure Rules, this item has been included on the Agenda as a key decision although not in the Forward Plan).

Portfolio Environment and Infrastructure

Subject Matter

The Director of Community Services reported (CS.100/08) on the background and outcomes of an Efficiency Review into the Council's Building Maintenance Operations. He informed Members that the Building Maintenance function had not met its financial targets for the past 2 years with a forecast shortfall of £120,000 in the current year. He informed Members that an Efficiency Review had been undertaken which had identified a number of reasons for the current financial performance with the main ones being that the balance of the Council's Municipal Maintenance Programme had significantly changed over the past 5 years, with an increase in the need for specialist services. The current balance of trade skills did not match the work flow requiring specialised sub-contractors to be employed leaving a reduced budget in the existing workforce.

The Director reminded Members that a large part of the buildings workforce had been transferred to CHA in 2003 and at that time income targets for external work had been established, which despite some non Council work being undertaken, were with hindsight unrealistic. He suggested that the Council's response and involvement with the flood recovery had masked the situation and also added that a number of financial and information systems in place prior to the housing stock transfer now needed to be updated.

The Director added that the review had provided an opportunity to review the nature of the service delivery to assess whether it would be better delivered externally. He drew Members attention to the conclusion in the review that a smaller in-house multi-skilled team to deliver reactive work together with individual sub-contractors for planned and specialist work could provide an optimum solution.

He set out for Members an Action Plan which included a range of actions and timescales, but once completed would enable the current financial targets to be achieved and the saving would enable budgets to be realigned. He set out for Members proposals to reduce the Management structure and workforce of the Building

Maintenance team and identified the potential redundancy costs. He added that a confidential section of the Report would be considered when the public and press were excluded.

Summary of options rejected - None

DECISION

- (1) That the Action Plan, set out as an Appendix to Report CS.100/08, produced from the Building Maintenance Efficiency Review be approved.
- (2) That the City Council be asked to approve a supplementary estimate of up to £375,700 to fund the redundancy costs associated with the efficiency improvements.
- (3) The Director of Community Services be authorised to make virements within the overall Building Maintenance budgets in conjunction with the Director of Corporate Services.

Reasons for Decision

Actions are required to improve the efficiency of the Building Maintenance Service to enable the cost effective maintenance of the Council's operational assets.