

## PERTH AND KINROSS COUNCIL

**Modernising Governance Member Officer Working Group - 17 July 2013**  
**Executive Sub-Committee of the Strategic Policy and Resources Committee -**  
**17 July 2013**

**BEST VALUE REVIEW of PROPERTY SERVICES****Report by Executive Director (Environment)****Summary**

The report outlines the work undertaken to date in relation to the Best Value Review of Property. It notes the scope and remit of the review, the work undertaken to date, and the key findings along with the options appraisal undertaken. The report recommends one option and as such, it also proposes a potential structure to ensure that property services for the Council are delivered effectively and efficiently to meet the Council's strategic objectives. The preferred option is intended to ensure that Council has a sustainable approach to delivering its statutory property requirements, while securing best value. This option will also ensure that the strategic objectives outlined within the Corporate Plan are delivered through the effective use of the available property resources.

**1. BACKGROUND / SCOPE OF THE REVIEW**

- 1.1 The Council has an ambitious, and increasing, capital investment programme, along with a requirement to maintain existing and new properties. In order to ensure that the Council achieves best value from the work undertaken and delivers the agreed projects, in March 2013, the Executive Officer Team agreed the scope of a Best Value Review on the structure, governance and reporting arrangements of Property Services. The full remit, scope and membership of the Best value review is contained within Appendix 1.
- 1.2 The purpose of the review was to ensure that robust leadership and management arrangements are in place to meet the Council's agreed strategic objectives, while ensuring that effective relationships, responsibilities and the highest standards are in place to meet both the Council's statutory requirements and its ambitious capital programme.
- 1.3 The remit of the review was to examine potential options for the future delivery of Property Services across Perth and Kinross Council. This is to ensure that the Council:
  - meets its agreed revenue and capital priorities in a modern, fit for purpose and flexible way, while guaranteeing value for money and best value.
  - fulfils its statutory obligations in relation to property maintenance.

- has the appropriate skills and expertise in place to deliver the extensive capital and revenue programme.
  - has a joined up approach across all Services to property matters through both clear relationships and agreed responsibilities.
- 1.4 The Council needs to ensure that the appropriate arrangements are in place to address current and future challenges in an increasingly complex environment. This includes procurement, partnering arrangements and nationally driven changes to technical standards. The future delivery of property related issues across the Council requires effective structural, governance and reporting arrangements to ensure a modern, fit for purpose service which is focussed on delivering the Council's agreed strategic objectives. For example, these include:
- providing children and young people with the best start in life through quality learning environments.
  - supporting the economy through providing job opportunities and community benefits clauses in contracts awarded.
  - providing access to business land, therefore supporting development opportunities.
  - supporting the delivery of high quality housing.
  - ensuring the Council effectively implements its own asset management planning arrangements.
- 1.5 The Capital property related construction budget for 2013/14 is £27.074m (excluding the HRA of £11.79m). Over the next 7 years there is a total capital budget of £130m for property (excluding HRA).
- 1.6 The Revenue property related maintenance budget for 2013/14 is £3.73m with an indicative budget for 2014/15 of £3.52m. In addition, there is a Revenue property related facilities management budget 2013/14 - £11.44m with an indicative budget for 14/15 of £11.4m.
- 1.7 The challenge which the Council faces is ensuring that it can deliver these ambitious programmes which are key to the Councils priorities of growing the local economy and providing modern, fit for purpose infrastructure to the community.
- 1.8 There are currently 70 FTE within the Environment Service Property Division. Property related activity is also undertaken within both Education and Children's Services and Housing and Community Care, in respect of the Housing Revenue Account. The focus of the current review has been on the Property Division and building more effective relationships between all the Services.

- 1.9 In recognition of the need to successfully address the issues identified in paragraph 1.3, over the last year the Council has already made a number of improvements to the way that property services are being delivered. These include:
- implementing better business systems within the property team.
  - making the approach to the overall capital programme to support the in-house/external market decision-making process more robust.
  - developing technical standards for construction and mechanical & engineering projects in the schools sector.
  - improving the approach to procurement and contract arrangements.
  - clarifying the roles between Property Services and other Services, particularly in relation to 'client' responsibilities.
  - improving the quad reporting format to examine spend and project progress.
  - enhancing the overall governance and accountability framework through the establishment of the Strategic Investment Group.
- 1.10 While these changes have led to significant reforms in how activities are carried out there is still a need to examine in more detail the structural, governance and reporting requirements. This has been undertaken through the best value review process.

## **2 KEY FINDINGS**

- 2.1 The review process was undertaken in line with corporate guidance and the findings below are set out in accordance with that guidance.

### **Challenge**

- 2.2 Perth and Kinross Council has a large property asset portfolio to support service delivery. Within the life of the current capital plan, the Council has allocated significant resources to deliver improvement in property assets. In addition, it also has evidenced a clear commitment to resource the property revenue repairs budget. As a result, the Council continues to require a structured approach to the delivery of both capital and revenue property spending to enable the property asset portfolio to be effectively managed to deliver best value.

- 2.3 The Council, consistent with most other local authorities, has had an in-house Property Service since its inception in 1996. The property function is to deliver on the property capital programme and ensure that the Council's property assets are maintained within the resources available. The Council also has a statutory duty to ensure these assets comply with legislation. As such, property services will always be required, in some form, to be delivered for the Council.
- 2.4 In addition, the Council is committed to delivering an ambitious and extensive capital programme of £250m (excluding the Housing Revenue Account). This needs to be completed within a more complex and challenging environment, particularly in relation to changed procurement arrangements, partnering opportunities and framework agreements such as Hubco. There are also issues in relation to changing, and demanding, energy efficiency targets along with rising expectations from service users, elected members and corporate clients. The review group have therefore acknowledged the need to ensure that Property Services is fit for purpose and forward looking to address these challenges and expectations in a sustainable manner.

### **Ongoing Work**

- 2.5 The review group have made significant progress over the last year however their challenge process has identified that their work needs to be further developed in the following areas:
- robust business systems to ensure there is effective prioritisation of work
  - in-depth understanding of current procurement and contract arrangements
  - in-house capacity to deal with projects, together with processes in place to effectively engage with the external market
  - a fully integrated approach with clearly defined roles and responsibilities (described as 'Team PKC') across all services to ensure the delivery of a capital programme but also appropriate investment in the property estate, now and in the future
  - Outline and Full Business Cases which ensure effective decision-making based on priorities, allow full planning and costing of projects with the ultimate goal of delivering the overall capital programme.
  - Standards in place and monitored across the Council in relation to Property matters.
  - mechanisms for performance improvement through benchmarking and other measures

### **Critical Success factors**

- 2.6 In response to these challenges, the recommended option must address the following which have been identified through benchmarking as critical success factors. Property arrangements across the Council must:
- Deliver the capital programme on time, on budget and to the client's satisfaction in order to deliver on the Councils priorities.

- Effectively manage our property assets including property maintenance, energy efficiency and facilities management within a robust governance framework that demonstrates best value in the outcomes to support service delivery.
- Identify opportunities to engage with new and emerging national and local agendas.
- Provide an excellent professional property service across all Services to deliver the Council's agreed strategic objectives.
- Ensure clarity of roles and responsibilities to ensure all property related matters are progressed with the appropriate expertise required at each stage of a project.
- Have a flexible, intelligence led approach to procurement.
- Achieve a corporate approach to delivering priorities – the 'Team PKC' approach.

2.7 The review group summarised these critical success factors in the following statement:

2.8 The purpose of property services across the Council is to ensure that 'Team PKC':

- delivers well-designed and maintained buildings to support current and future service delivery requirements by providing staff and the people using services with a safe and comfortable environment.
- work collaboratively, sharing expertise and knowledge to target investment to meet corporate objectives, deliver best value, innovation, improve sustainability and to support the economic and social development of Perth and Kinross.

## **Consultation**

2.9 The Review Group comprises representatives from service users who have in effect acted as consultees. The review group has used case studies of capital projects delivered in each service area as a method of determining views on current performance. There has been no wider consultation with staff outwith the review group. This will be undertaken in line with the Council's current arrangements outlined within the "Managing Change" toolkit, covering employees in scope and trade unions in due course.

## Comparison

2.10 As part of the review, the following benchmarking has been undertaken:

- An analysis of capital spending across councils based on 2012 information from Audit Scotland shows PKC with performance in the lower quartile.
- Comparison with Scottish Futures trust information in relation to fees and cost per m2.
- Discussions and visits have taken place with Renfrewshire, Aberdeenshire, Fife, Stirling and South Ayrshire Councils and Heriot Watt University about their delivery and performance regimes in order to inform the recommendations.

## Competition

2.11 The competitive elements of the best value review process were addressed through the options appraisal undertaken.

## 3. OPTIONS

3.1 As part of the scoping document, four options were outlined. During the course of the review, a fifth was added. These are shown below along with a summary of the group's findings. The detailed option appraisal is attached as Appendix 2 to this report.

**Option 1 – maintain Status Quo** - This option is rejected because it is no longer an appropriate delivery mechanism for the scale of the challenges the Council face.

**Option 2 – retain the property function within the Council to deliver revenue and capital works, using internal resources with revised roles and responsibilities.** This option is rejected because the skills and capacity required to deliver on the Council's priorities does not exist in house. Skilling up to meet the new challenges internally would result in substantial additional costs to ensure effective and efficient delivery. This option also lacks the flexibility of a mixed approach.

**Option 3 – adopt a mixed approach to delivering revenue and capital works, using internal and external resources.** This option is recommended as an adequately resourced model which can respond quickly to new challenges. It ensures delivery of the capital plan and continued delivery of revenue works. It is the option which addresses most fully the challenges identified.

**Option 4 – adopt a Joint working/collaborative approach with other Councils/public sector bodies.** This option is rejected because the model is immature for the delivery of both the programme of property capital investment as well as property management & facilities management activities. In addition governance issues in the short to medium term are likely to compromise service delivery. It is, however, recognised that there may be opportunities in the future as the market matures.

**Option 5 – adopt an all outsourced model.** This option is rejected because it is an unproven model that is likely to compromise service delivery in short and long term and has the potential to be irreversible. As such this model presents an unacceptable degree of risk for the Council.

3.2 The benefits of option 3 in comparison to the other four are outlined below:

- Optimises delivery of capital plan
- Retains knowledge and experience at an appropriate level
- Uses the market to best advantage to maximise choice of delivery options
- Facilitates effective investment decisions and evidences best value
- Delivers the capital programme based on corporate priorities
- Enhances Council standards to enable effective investment decisions
- Increases opportunity to engage in joint working across the public and private sectors and to share knowledge and experience
- Provides clearer roles and responsibilities, leading to improved governance and accountability through strategic asset management plans, capital plan delivery and revenue expenditure across the whole life of the asset
- allows benchmarking of in-house teams and market to demonstrate best value and continuing improvement through market engagement
- Increases opportunities to engage with new agendas, refresh approaches and maintain profile of sustainability issues
- Increases flexibility and intelligence to engage with market initiatives

- 3.3 The draft structure and governance arrangements in relation to Option 3 are contained within Appendix 3 to this report. Staffing costs will be contained within existing budgets. This will be supported with more effective business management systems, using experience gained within other local authorities. The Council's procurement regime will also be examined to ensure that it is responding to a rapidly changing environment. The performance will be measured against the critical success factors outlined within paragraph 2.6 above.
- 3.4 This option relates mainly to those employees within the Environment Service, including the current Corporate Asset Management Group to ensure improvements in processes and systems are implemented. However, roles, responsibilities and reporting structures for those staff in the front line client services who are involved in making decisions regarding property functions will be clarified as part of the new arrangements.
- 3.5 The ambitious, and growing, capital investment programme, combined with a significant revenue programme, play a fundamental role in meeting service requirements, service users' needs and the Council's overall objectives. As such, there is considerable risk in failing to deliver agreed capital projects and maintaining buildings effectively and in compliance with legislation.
- 3.6 In order to minimise these risks it is therefore recommended that the Head of Technical Services post is designated as the Head of Property Services, with the remaining duties in Roads and Public Transport being allocated between the other Heads of Service in the Environment Service.

The proposals for the duties to be re-allocated are as set out below:

- Public Transport functions to be transferred to the Head of Performance and Resources to bolster strategic and tactical capacity in this area;
- The day to day Roads functions of Network, Traffic, Structures and Flooding to be placed under the Head of Environment and Consumer Services to consolidate Public Space management in one functional area;
- The major capital transport infrastructure programme i.e. A9/A85, Cross Tay Road link etc be placed under the Head of Planning and regeneration to strengthen links between the Economic Development and construction functions; and
- The Executive Director would need to re-align the existing resources to ensure sufficient capacity to deliver on the agreed priorities.



#### 4. CONCLUSION AND RECOMMENDATIONS

- 4.1 The review team has considered a series of options to better support the Council in spending the significant capital and revenue resources available to meet its objectives in a more effective and sustainable way. While improvements continue to be implemented, there is a requirement to address the remaining issues through structural and governance redesign.
- 4.2 It is recommended the Sub- Committee agree that:
1. Option 3 (*a mixed approach to delivering revenue and capital works, using internal and external resources*) outlined in section 3 above, be adopted as it presents the optimum approach for the future delivery of Property Services for Perth and Kinross Council.
  2. If Option 3 is adopted, the proposed staffing structure outlined in Appendix 3 be approved, including a dedicated role of Head of Property Services.
  3. The Executive Director (Environment) be remitted to proceed with the recruitment process for the Head of Property Services as a matter of priority.
  4. The Executive Director (Environment) be remitted to implement necessary changes to re-align the responsibilities and resources in relation to roads and public transport.
  5. The Executive Director (Environment), in consultation with the Executive Director (Housing & Community Care), be remitted to explore the future procurement capacity within the Council to take account of emerging national developments.
  6. The Executive Director (Environment) be remitted to begin the formal consultation process with employees in line with Council's agreed procedures.

##### Author(s)

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##### Approved

Name	Designation	Signature
Jim Valentine	Executive Director (Environment)	<i>Jim Valentine</i>
<b>Date:</b> 12 July 2013		

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>None</b>
Workforce	<b>Yes</b>
Asset Management (land, property, IST)	<b>None</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>None</b>
Strategic Environmental Assessment	<b>None</b>
Sustainability (community, economic, environmental)	<b>None</b>
Legal and Governance	<b>None</b>
Risk	<b>None</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>None</b>
<b>Communication</b>	
Communications Plan	<b>Yes</b>

### 1. Strategic Implications

#### Community Plan / Single Outcome Agreement

- 1.1 The Perth and Kinross Community Planning Partnership (CPP) brings together organisations to plan and deliver services for the people of Perth and Kinross. Together the CPP has developed the Perth and Kinross Community Plan which outlines the key things we think are important for Perth and Kinross:-

- (i) Giving every child the best start in life
- (ii) Developing educated, responsible and informed citizens
- (iii) Promoting a prosperous, inclusive and sustainable economy
- (iv) Supporting people to lead independent, healthy and active lives
- (v) Creating a safe and sustainable place for the future

- 1.2 It is considered that the actions contained within this report contribute to objective(s) (iii) (v)

#### Corporate Plan

- 1.3 The Council's Corporate Plan 2013-2018 outlines the same five Objectives as those detailed above in the Community Plan. These objectives provide a clear strategic direction, inform decisions at a corporate and service level and shape resource allocation. It is considered that the actions contained in the report contribute to objectives (iii) and (v) outlined in paragraph 1.1 above.

## **2. Resource Implications**

### Financial

- 2.1 There are no financial implications arising from this report as the recommendations are funded through a re-alignment of existing budgets.

### Workforce

- 2.2 The Head of Human resources has been fully consulted on the reports proposals and agrees with the recommendations.

### Asset Management (land, property, IT)

- 2.3 There are no land and property, or information technology implications arising from the contents of this report.

## **3. Assessments**

### Equality Impact Assessment

- 3.1 An Equality Impact Assessment needs to be carried out for functions, policies, procedures or strategies in relation to race, gender and disability and other relevant protected characteristics. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new and existing policies.
- 3.2 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- i) Assessed as **not relevant** for the purposes of EqIA.

### Sustainability

- 3.4 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

The proposals contained within the report are assessed to have a positive impact on sustainability, particularly with regard to the economic and business growth aspects of sustainable development.

### Legal and Governance

- 3.5 The Head of Legal Services has been involved in the development of the report as a member of the Review team.

### Risk

- 3.6 There are no specific risks associated with the proposals outlined within the report.

## **4. Consultation**

- 4.1 The Executive Officer Team, the Head of Human Resources and the Head of Finance have been consulted in the preparation of this report. Service Representatives have been involved in the reports development as members of the review team.

### External

- 4.2 No external consultation undertaken.

## **5. Communication**

- 5.1 The Executive Director (Environment) will begin the formal consultation process with employees in line with Council's agreed procedures following the reports publication.

## **2. BACKGROUND PAPERS**

No background Papers have been relied on in preparing the report.

## **3. APPENDICES**

Appendix 1 – Best Value Review of Property – Scope, Remit and Membership  
Appendix 2 – Options for Consideration  
Appendix 3 - Revised Structure and Governance Arrangements based on Option 3



**BEST VALUE REVIEW OF PROPERTY – SCOPE, REMIT AND MEMBERSHIP**

1. The remit, scope and project team of the Review are outlined below:
  - All staff involved in the delivery of property related services across the Council (the Environment Service, Education and Children's Services and Housing and Community Care including the HRA;
  - Corporate Asset Management in its inter-relationship with the delivery of the property service;
  - All property related revenue and capital budgets across the Council, including procurement arrangements. Options for the structure required to deliver the capital programme effectively and efficiently;
  - Options for the governance arrangements in relation to the delivery of the capital programme including the role of elected members, Executive Officer Team, Strategic Investment Group, Service Management Teams and the Corporate Resources Group; and
  - Reporting arrangements and format in relation to the delivery of the capital programme.
2. The following property related staff are not included in the review:
  - Roads staff and the Public Transport Unit within Technical Services are excluded from the review; and
  - Staff involved in facilities management outwith the Property division.
3. The objective of the review is to provide options for the future delivery of the property related issues across the Council, including the structural, governance and reporting arrangements. This is to ensure that a structure is put in place which ensures that the Council meets its agreed objectives within the context of a significant and increasing capital investment programme, along with a requirement to maintain existing and new properties. It will also provide options for revised governance and reporting arrangements to ensure that the Council achieves best value from the work undertaken.
4. There are currently 70 FTE within the current Environment Service Property Division.

5. The Review Group comprises of:

Executive Sponsor	Jim Valentine	Executive Director (Environment)	
Senior Responsible Officer	Barbara Renton	Depute Director (Environment)	
Project Lead	Kate Stephenson	Interim Head of Property Services - TES	Property Services
Review Group	Allan Burt	Construction Manager - TES	Property Services
	Ian Cameron	Construction Manager – TES	Property Services
	Greg Boland	Snr Business and resources Manager	ECS
	John Cruickshank	Project Manager – HCC	HCC
	Audrey Clark	Personnel Officer- CHX	Human Resources Representative
	Alison O'Brien -	Corporate Accounting Manager – CHX	Finance Representative
	Mary Mitchell	Corporate Procurement Manager - HCC	Procurement Representative
	Geoff Fogg	Legal Manager – CHX	Legal Representative
	Stewart Mackenzie	Head of Performance and Resources	TES
Business Support	Norman Ballantine	Roads Asset Management Officer – TES	TES
Business Change Support	Fiona Easton	Team Leader (Change Management)	ECS



Option 1 – Maintain Status Quo			
Key Drivers	Benefits of implementation of Option 1 (Strengths)	Costs	Risks to successful implementation of Option 1 (Weaknesses)
<p>In house knowledge aligned with corporate values that deliver well designed capital schemes which frequently win design awards.</p> <p>The existing FM &amp; PM teams have track record of ensuring compliance with statutory responsibilities, maintaining and servicing existing buildings within available budgets.</p>	<p>Retain existing staff and continue to deliver well designed projects.</p> <p>Ability to drive community benefits through contract terms. (this benefit accrues in option 1, 2, 3.)</p> <p>Least immediately disruptive to staff.</p>	<p>Existing establishment costs for staff where ever based including TES, ECS and HCC</p>	<p>There is a risk of insufficient capacity to deliver the capital and revenue programmes along with a skills gap and a lack of flexibility to manage variability in resource requirements. As a consequence, the capital plan is determined by what the current staff resources can deliver not by service need which in turn leads to a general perception of poor delivery across the whole service.</p> <p>There is a risk that a lack of targeted investment in business processes and systems together with the need to meet notional fee targets to satisfy accounting treatment of costs makes it impossible to demonstrate VFM.</p> <p>There is a risk that roles and responsibilities including governance arrangements are insufficiently defined across services resulting in a failure to establish Team PKC as a key driver of successful project and programme delivery. The consequence of this is to compromise project delivery in terms of cost and quality of outcome and to expose the Council to risk.</p> <p>The focus of management activity is on delivering capital projects with insufficient attention on the role of FM &amp; PM. Both are key drivers in delivering and managing revenue spending.</p> <p>There is no capacity to take forward new agendas particularly in relation to sustainability and whole life costing.</p>
<p><b>Outcome:</b> This option is rejected because it does not meet the review remit. To maintain the status quo would require the Council to accept that the value of schemes to be delivered in the capital plan is determined by the in-house resource available to deliver projects and prioritises property staffing resource above corporate need. There would be little or no adverse impact on FM &amp; PM and sets no improvement agenda.</p>			

Option 2 – Property function remains within Council, with revised roles and responsibilities			
Key Drivers	Benefits of implementation of Option 2 (Strengths)	Costs	Risks to successful implementation of Option 2 (Weaknesses)
<p>Ensures staffing compliment is set to deliver capital programme at peak times of demand</p> <p>Clearer roles and responsibilities defined across services</p> <p>Retain in-house knowledge aligned with corporate values that deliver well designed capital schemes that frequently win design awards.</p> <p>The existing FM &amp; PM teams have track record of ensuring compliance with statutory responsibilities, maintaining and servicing existing buildings within available budgets.</p>	<p>Establishment of Team PKC as a key driver of successful project and programme delivery. The consequence of this is to improve project and programme delivery and to reduce the risk of contractual claims.</p> <p>There is a potential for savings if overlapping roles can be eliminated as a result of clearer roles and responsibilities. However, any such savings would be offset by the additional costs of employing in house staff and specialists to deliver the capital programme.</p> <p>Investment in business process together with the need to meet notional fee targets to satisfy accounting treatment of costs makes it possible to demonstrate VFM.</p>	<p>As option 1 plus additional costs of staffing up to meet workload peak offset by element of fees included with capital plan.</p> <p>Un-quantified costs of investment in systems to support business processes.</p> <p>Less any savings from eliminating overlapping roles.</p>	<p>There is a risk of overcapacity of staff resources at times of reduced work demand and a consequential lack of flexibility.</p> <p>There is a risk of insufficient capacity to deliver the capital programme due to the under supply of specialist skills in the labour market resulting in a skills gap and a lack of flexibility to manage variability in resource requirements. As a consequence the capital plan is determined by what the resources can deliver not by service need which in turn leads to a general perception of failure across the whole service.</p> <p>The focus of management activity is on delivering capital projects with insufficient attention on the role of FM &amp; PM. Both are key drivers in delivering managing revenue spending.</p> <p>There is no capacity to take forward new agendas particularly in relation to sustainability and whole life costing.</p>
<p><b>Outcome:</b> This option is rejected because it will result in substantial additional costs in order to remove the barriers to delivery.</p>			

<b>Option 3 – A mixed approach to delivery of revenue and capital works, using internal and external sources.</b>			
<b>Key Drivers</b>	<b>Benefits of implementation of Option 3 (Strengths)</b>	<b>Costs</b>	<b>Risks to successful implementation of Option 3 (Weaknesses)</b>
<p>Ensures delivery of capital plan</p> <p>Retains knowledge and experience</p> <p>Engages with market to smooth peaks and troughs in workload in a planned way.</p> <p>Uses market to best advantage to maximise choice of delivery options</p> <p>Investment in business systems to effectively manage programme delivery and to support in-house business unit to enable effective investment decisions and evidence best value</p>	<p>Delivers capital programme based on corporate need not availability of in-house resources.</p> <p>Easier to align with PKC values through partnership working with private sector.</p> <p>Development of PKC standards to enable effective investment decisions.</p> <p>Increases opportunity to engage in joint working across the public and 3<sup>rd</sup> sector and to share knowledge and experience.</p> <p>Clearer roles and responsibilities leading to improved governance and accountability by evidencing relationships between strategic asset management plans, capital plan delivery and revenue expenditure across the whole life of the asset.</p>	<p>As option 1 plus increased consultancy costs to deliver programme offset by element of fees contained with capital plan.</p> <p>Plus Un-quantified costs of investment in systems to support business processes.</p>	<p>There is a risk that current staff do not have skill set and capacity to effectively manage increased procurement activity as a consequence poor decisions are made; need not challenged or alternative solutions not considered.</p> <p>There is a risk that existing quality control review (QCR) processes are applied inconsistently and as a consequence the final service/product may not be of the required/desired quality.</p>

<b>Option 3 – A mixed approach to delivery of revenue and capital works, using internal and external sources.</b>			
<b>Key Drivers</b>	<b>Benefits of implementation of Option 3 (Strengths)</b>	<b>Costs</b>	<b>Risks to successful implementation of Option 3 (Weaknesses)</b>
	<p>Market engagement allows benchmarking of in-house teams and market to demonstrate best value and continuing improvement.</p> <p>Increased opportunity to engage with new agendas, refresh approaches and maintain profile of sustainability issues.</p> <p>Increased flexibility and intelligence to engage with market initiatives.</p>		
<p><b>Outcome:</b> Accepted. Adequately resourced model ensures delivery of the capital plan and continued delivery of revenue works. The driver is to resource delivery of the capital plan through a managed programme of actions ensuring best value is achieved as part of a holistic approach to property management that supports PM &amp; FM functions.</p>			

Option 4 – Joint working/collaborative approach with other Councils/public sector bodies			
Key Drivers	Benefits of implementation of Option 4 (Strengths)	Costs	Risks to successful implementation of Option 4 (Weaknesses)
Opportunity to participate in national agenda for joint working to improve asset utilisation and deliver savings through economies of scale	<p>Joint procurement opportunities could reduce cost.</p> <p>Sharing investment in systems, specialist knowledge, skills and services to enable delivery of capital programme</p> <p>Sharing investment in systems, specialist knowledge, skills and services to enable delivery of PM &amp; FM</p>	Particularly difficult to quantify without clearer knowledge of partner bodies and their aspirations.	<p>There is a risk that as this is an immature model in the property sector adoption could lead to failure to deliver capital programme and PM &amp; FM services and as a consequence could result in:</p> <ul style="list-style-type: none"> <li>• Un-aligned Systems and processes</li> <li>• Resistance to change in partner organisations</li> <li>• Loss of control / flexibility</li> <li>• Democratic conflict / deficit (role of members)</li> <li>• Cultural differences</li> <li>• Potential conflict / non-aligned organisational objectives</li> </ul> <p>There is a risk that the intelligent client model is not sufficiently developed to support initial engagement and on-going management of relationship and as a consequence we fail to get best from relationships; vfm and service delivery</p> <p>There is a risk that employment issues related to joint working (for example; application of TUPE, conflicting HR policies) could result in reduced staff morale, delays to implementation, additional costs, deteriorating performance during consultation and transfer periods.</p>

<b>Option 4 – Joint working/collaborative approach with other Councils/public sector bodies</b>			
<b>Key Drivers</b>	<b>Benefits of implementation of Option 4 (Strengths)</b>	<b>Costs</b>	<b>Risks to successful implementation of Option 4 (Weaknesses)</b>
			There is a risk that existing quality control review (QCR) processes are applied inconsistently and as a consequence the final service/product may not be of the required/desired quality.
<b>Outcome:</b> This option is rejected because the model is immature for the delivery of a programme of property capital investment and PM & FM activities and uncertain governance in the short to medium term is likely to compromise service delivery.			

Option 5 – All out model			
Key Drivers	Benefits of implementation of Option 5 (Strengths)	Costs	Risks to successful implementation of Option 5 (Weaknesses)
Scale and size of transfer attractive to the market offering holistic approach to property asset management including delivery of capital programme together with PM & FM	Opportunity to engage with the market in innovative way.	Unknown – particularly difficult to quantify due to varying permutations.	<p>There is a risk that: there would be a permanent loss of operational knowledge, expertise and control and as a consequence the decision to adopt this option would be difficult to reverse.</p> <p>There is a risk that TUPE would apply to any transferred staff and as a consequence there could be reduction in staff morale and good will, delays to implementation, additional costs, deteriorating performance during consultation and transfer period.</p> <p>There is a risk that the intelligent client model is not sufficiently developed to support initial engagement and on-going management of relationship and as a consequence we fail to get best from relationships; vfm and service delivery.</p> <p>There is a risk that the procurement mechanisms will lead to lengthy implementation lead in time, coupled with a lack of existing quality control review (QCR) processes to manage such a radical change in delivery model. This could result in:</p> <ul style="list-style-type: none"> <li>• the final product not being fit for purpose or the required / desired quality</li> <li>• potential for disputes.</li> <li>• no current benchmarking mechanism to establish vfm.</li> </ul>

Option 5 – All out model			
Key Drivers	Benefits of implementation of Option 5 (Strengths)	Costs	Risks to successful implementation of Option 5 (Weaknesses)
			There is a risk that the service provider will be driven by profit motive with a consequent loss of flexibility or flexibility with a penal cost
<b>Outcome:</b> This option is rejected because it is an unproven model that is likely to compromise service delivery in short and long term.			



**Property Services  
Revised Structure and Governance Arrangements based on Option 3**

The Best Value review has identified structural and governance barriers that prevent Perth and Kinross Council from achieving the required level of spending on capital schemes.

Strategically, the Council would be better able to demonstrate a sound approach to development of its capital plan if it adopted a form of gateway review approach to capital schemes supported by a re-structured property services focused on

- The corporate landlord model providing effective property asset management to support service delivery,
- Business management and contract governance
- Project delivery

**Corporate Landlord**

The broad functions are to:

- manage existing assets by developing asset management policies linked to the new technical delivery standards.
- support services to develop strategic proposals for capital investment linked to service delivery requirements and Council objectives
- Offer strategic advice about the design and project management of revenue and capital schemes either in house or through the private sector.

The functions this staff group will undertake are:

- Corporate asset management
- Strategic property advice delivered by a team with architecture and quantity surveying experience supported by mechanical and electrical engineering (M & E) and energy staff
- Property and facilities management including minor works project design and delivery

This grouping would ensure issues of maintenance and energy performance are considered when developing capital schemes. This team maintain the recently developed technical standards, allowing the Council to meet the challenges of the adoption of BIM (Building Information Management). This will facilitate procurement from the private and third sectors on a common standard specification.

The establishment of a minor works team will support the commissioning of minor works that require a **design** input. Many of these are too small to be economically let individually to the private sector and are resource intensive for the in house project team, leading to delay and complaints from service users. This work is generated by the Facilities Management (FM) team in programmed repairs, the DSM budget and from individual requests made by service users. Works are generally less than £50k in value.

This grouping will also provide for career progression for staff in the M & E, FM and minor works teams.

### **Business management and support**

The broad functions are to:

- Plan and programme the delivery of property services to ensure high standards of delivery and governance, demonstrating value for money.

The functions this staff group will undertake are:

- Oversight of the overall capital programme, and major revenue schemes, making recommendations on appropriate procurement routes to ensure the delivery of the programme
- Management of the procurement of consultants and contractors to deliver capital and revenue spending on property
- performance standards, monitoring and reporting on consultant and contractor performance to ensure delivery of best value and lessons learned
- framework management and key relationship manager for Hubco contracts
- workload planning, time recording and fee billing for property team

### **Project Delivery Team**

The broad functions are to:

Undertake design work to deliver capital and revenue schemes as commissioned by the business support team as part of a multi-disciplinary teams with architectural, quantity surveying and project management skills

The functions this staff group will undertake are:

- Design schemes as commissioned by business support unit
- Act as contract administrator on capital schemes designed in house

The functions and governance as part of the key stage review are shown overleaf

<b>Project stages and gateway approach</b>	<b>Strategic appraisal</b>	<b>Project assessment</b>	<b>Develop proposed solution</b>	<b>Develop preferred solution</b>	<b>Construction</b>	<b>Handover and review</b>
<b>Gateway review</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Accounts Commission key stages</b>		Initial approval	Pre-contract approval			
<b>Activity</b>	Service strategies, strategic plan, community plan  Determine overall funding for capital plan	Determine project objectives  Design inception and feasibility  Define options and carry out option appraisal  Apply whole life costing and asset management techniques – energy , sustainability etc	Develop design to planning application stage	Develop detailed design  Undertake procurement	Undertake construction element of programme	Post occupancy evaluation  Complete final account after defects period  Share lessons learned
<b>RIBA stage</b>		A & B	C & D	E –G (pre contract)	J-K (post contract)	L (post construction)

Project stages and gateway approach	Strategic appraisal	Project assessment	Develop proposed solution	Develop preferred solution	Construction	Handover and review
Gateway review	0	1	2	3	4	5
Output	Recommended projects to assessment stage	OBC with recommended option and approximate deliverable project costs	Complete scheme design and estimated costs	Construction contract in place	Building works complete and building occupied	Assess achievement of project objectives.
Governance	Strategic Investment Group/Budget Review Group/Council	Corporate Resources Group	Strategic Investment Group/ SP&R Committee/ Relevant Service Committee	Relevant Service/TES/ Strategic Investment Group/ Relevant Service Committee		Strategic Investment Group
Property team	Corporate Landlord  Business support		Project Delivery  Business support			Corporate Landlord  Project Delivery  Business Support



