

BEST VALUE PILOT REVIEW

PROPERTY MANAGEMENT

Accountable officer: Penny Coveney, Strategic Director Resources

Author: : John Boothroyde, Senior Project Officer

1. PURPOSE

- 1.1 To present to Committee the findings and recommendations of a pilot Best Value review of Property Management.

2. INTRODUCTION AND BACKGROUND

2.1 Service Definition

(a) Two basic definitions were adopted :

“Property Management” is defined as “the acquiring, buying, selling of property and arranging and advising on the maintenance and use of property”.

“Property” refers to both land and buildings.

2.2 Scope of Review

The review was intended to include all property related activity across the authority with the exception of highways infrastructure and landscape maintenance (itself the subject of a pilot best value review). However, at an early stage in the review process an argument to exclude the HRA residential housing stock was received from Neighbourhood Services. This was accepted and the only part of HRA retained for the study was the commercial property. However, for a proper cross-cutting review all HRA property will need to be brought back in at a future date.

A fixed timescale was applied at the outset, but within this obvious constraint it was intended that as full a review as possible would be attempted, paying attention to the Best Value advice and guidance currently available.

2.3 Roles and Functions

Each of the pilot reviews had a Lead Officer, Lead Manager(s), Project Manager and for Property Management these were:

Lead Officer Penny Coveney, Strategic Director Resources

Lead Manager Helen Smith, Valuer to the Council

Project Manager John Boothroyde, Senior Projects Officer

The role of this Team was to formulate the terms of reference and project plan for the review with the Project Manager managing the review process and undertaking the formal and informal reporting requirements. A core group was formed by involving service managers from each Directorate in meetings to progress the review. These service managers also contributed detailed service information for the review and carried out identified tasks in the project plan.

2.4 **Terms of Reference**

The starting point for best value reviews is to agree the terms of reference as these in turn influence the development of a project plan to monitor and control the review process. The Property Management terms of reference were as follows:

- (a) To examine why the Council holds property at present and how it uses that property.
- (b) To establish the total cost of holding and managing property under the current arrangements. The Review will look at both the direct and indirect costs of holding and managing property. The direct costs will cover the processes and the people involved in property management. The indirect costs will be the hidden cost in terms of the capital and revenue employed in holding property.
- (c) To analyse the performance of property and property management against the draft Asset Management Interim Strategy objectives.
- (d) To identify recommended 'best practice' and investigate models of this in other organisations.
- (e) To consider alternatives to the traditional methods of property ownership and management.
- (f) To seek methods of improving efficiency from the Review.
- (g) To identify meaningful Performance Indicators to measure the performance of property and property management.
- (h) To identify stakeholders and users of property and seek their views.

2.5 **Context**

This review has been undertaken at a time when Government plans for the single capital pot are being developed. A recently issued consultation paper by the DETR (18 Nov 1999) details the form and timetable for the implementation of the single pot. It proposes that allocations will be assessed in accordance with both need and performance. A needs based indicator combining elements from each of the current service blocks will determine the majority of funding but a competitive factor will be used to reward good performance. Government Offices (together with the DfEE and DSS) will assess Councils on the basis of their Capital Strategies, delivery of Asset Management Plans and Performance Indicators.

However, the DETR consultation document does not cover all the major areas of capital allocation - Major Repairs Allowance for Housing and Education support are the subjects of guidelines from separate Government departments. Exactly how and when these and the DETR guidelines will dovetail is uncertain, but there is common ground in the requirement for a Capital Strategy, medium term Asset Management Plan and Performance Indicators.

Annex A is a more detailed summary of the DETR proposals for implementation of the single capital pot.

3. **REVIEW METHODOLOGY**

The planned work, while recognising initiatives already in hand, was organised with a view to addressing the 4 Cs of Best Value, i.e. Compare, Consult, Challenge and Compete.

3.1 **Compare**

The first task in being able to seek comparative information was to fully understand the extent of current service provision, albeit within the limits outlined in section 2.2. To this end a data capture template was designed (see Annex B) and circulated for service managers to complete.

Since there are no statutory performance indicators covering property management it was recognised that no wide ranging national comparisons were going to be possible. Comparative information, therefore, would have to take the form of smaller scale benchmarking exercises. One such initiative has been undertaken by Estates section who have set up and chair a Benchmarking Club for Estates Services. The club comprises 21 Authorities, covering a wide area in the southern half of England, of which 14 (1 London Borough, 7 Borough Councils, 1 District Council, 2 City Councils and 3 Unitary Authorities) contributed to the benchmarking exercises.

3.2 **Consult**

It was debated whether the Council's management of property was an issue that the public in general would have a view about. Tenants were already a well surveyed sector and landscape issues were addressed in other studies, but for the balance of property it was decided that the views of different identified groups of users of property management services should be sought. These would range from groups such as commercial and voluntary sector as well as managers who rely on property management support.

A questionnaire was designed to test user response to aspects such as access to service, satisfaction levels and fitness for purpose (Annex C). For schools it was recognised that there was already a consultation exercise planned for another Best Value pilot study on support services. Rather than duplicate part of this survey it was decided to add to the property management questions section and use those results.

3.3 **Challenge**

This part of Best Value provides the opportunity to consider what alternatives there may be to the current methods of service delivery. An even more basic challenge is to consider whether the Council should hold property in the first place. To provide some input to this consideration, an external consultant was commissioned to look into the legal issues of different arrangements for the holding and supply of property.

3.4 **Compete**

The project plan made no provision for any specific market testing to be done but envisaged cost and staffing level comparisons with the private sector as a route to assessing competitiveness.

4. **MAIN FINDINGS**

4.1 **Current Service Provision**

A data capture template (see Annex B) was distributed to all departments and divisions of the Council known to have property management responsibilities. The responses were varied, ranging from full and comprehensive returns to no returns at all. In addition, upon analysis of the information submitted, it became clear that the questions had been interpreted very differently. This made meaningful analysis of core information about budgets and staffing levels almost impossible.

The information obtained will need to be reviewed in detail and more probing questions will be needed to reveal and clarify outstanding data. An approach that overcomes the apparent difficulty in extracting property and financial data from more general service provision information will need to be developed.

4.2 **Benchmarking**

The summary of responses to the questionnaire on Property Strategy and Property Review provide evidence of how property is managed by the particular Authorities. No attempt has been made to suggest a Best Practice for these subject areas and it is for each Authority to consider whether their strategy and approach to Property Reviews provide Best Value to them. It would appear that many Authorities are still developing strategies and review techniques and it may be beneficial to revisit the questionnaires in the year 2000 with an aim of preparing a trends paper. It is recognised that comparisons in themselves are of little value unless they are followed up and changes implemented with an objective for improving performance. This implementation should be reviewed by the Club to establish how beneficial the exercise has been.

With more research it would be possible to develop some Performance Indicators in the following areas:

- Consultation
- Returns on property
- Running Costs of operational property
- Space Standards

It should be noted that the timing from the first Benchmarking meeting to the publication of results was 17 months. This was felt to be excessive and the Benchmarking Club should consider ways of improving on this timescale. It is believed that the major problem is the current workload of officers who have limited time to commit to such initiatives at the present time. The future requirement to undertake Benchmarking and provide performance indicators should automatically re-prioritise workloads and such priorities will undoubtedly assist the process.

4.3 **Performance Indicators**

More specific performance indicators being considered resulting from both the benchmarking group discussions and advice from other sources, e.g. Audit Commission, are as follows:

- Hourly Rates
- Utilisation Rates
- Fee level for Rent Reviews/Lease Renewals
- Debt as a percent of Rent Roll
- Percentage of Users satisfied with Service
- Ratio of Staff to Value of Assets Held
- Percentage of Vacant Property
- Growth in Rental Income Year on Year
- Frequency of Property Reviews
- Percent of Council's property held (a) Corporately (b) by User

4.4 **User Survey**

Responses from 52 schools were analysed to establish satisfaction levels with different aspects of property management. Generally, satisfaction levels were not high, for example, 42.3% either satisfied or very satisfied with guidance on property management and an overall satisfaction of 47.8% for information provided to schools on buildings policy. Slightly higher at 55% was satisfaction with advice on repairs and maintenance but dissatisfaction was registered by 25%, and this was a typical dissatisfaction level.

A further analysis was made of 27 responses received from the questionnaire to voluntary and commercial sector users. Higher satisfaction levels were recorded in terms of ease of obtaining help on property matters (67%) and in terms of the speed and effectiveness of advice/help given (both 67%). However, satisfaction with the service received for repairs and maintenance was lower at 44.4%. In terms of fitness for purpose a total of 74% rated the premises they occupy as either excellent (22%) or adequate (52%)

For both sets of users the majority were able to name a point of contact for property matters, however, the variety of contacts quoted indicates that this is not due to any structured and well-communicated arrangement.

4.5 **Service Provision Alternatives**

Eversheds, solicitors, were commissioned to examine alternatives to traditional property ownership, on the basis that they should be practical, realisable and financially advantageous to the Council.

They limited their advice to the principles and limitations of alternatives, drawing on their experience of PFI initiatives and the outsourcing of property ownership by public bodies such as the DSS.

A synopsis of Evershed's advice is that although mechanisms exist to transfer property ownership obligations to the private sector, considerable work is needed before any such route is considered. Furthermore, freeing the Council of its property management responsibilities will allow it to concentrate on its core business and fit well with the principles of Best Value.

The work required, mainly in the form of a risk assessment links with the DETR Good Practice Guidelines for property asset management. The strategic principles outlined in the DETR guidelines if adopted by the Council would make it possible to conduct a meaningful cost benefit analysis of any potential transfer of the property portfolio with its associated maintenance/facilities management requirements to the private sector. Any such transfer would mean capital receipts to the Council, with the Council simply using the property it needs to conduct its business and paying a revenue charge for the accommodation it requires.

4.6 **DETR Good Practice Guidelines**

Strategic asset management and performance measurement create the need for authority-wide data. A unique property reference number (UPRN) for each property is suggested as an essential element for managing assets effectively across the whole portfolio. Integrated computerised systems are increasingly relevant and authorities are encouraged to review whether existing systems meet requirements. This needs to be done within Milton Keynes Council as well.

Where asset planning is undertaken at departmental level only, corporate priorities can be overruled by short-term departmental needs, without a full analysis of all options being undertaken. An example would be the retention of a surplus old person's home for the alternative short-term accommodation needs of the Social Services Department as against its sale and the realisation of capital receipts for the wider benefit of the authority. Localised planning where there is no context of corporate prioritisation of an authority's asset programme can make achieving best value from the Council's assets very difficult.

It is envisaged that a limited number of portfolio wide indicators should be identified, say between five and fifteen. The precise number will vary both with the types of assets held by an authority and a range of objectives. A further group of say between five and ten indicators should be identified for each of the categories of assets held by an authority. Some of these may be the same as the portfolio wide indicators and may well be the same for each category.

Good asset management practices should be co-ordinated across the whole authority, i.e. covering all of the council's portfolio including education and housing properties

Assets management plans should be central documents co-ordinating all activity on assets, drawing on other related documents such as service plans, DfEE's asset management plans, HRA business plans, local transport plans, community health plans and best value performance plans.

This work will be helped by the Audit Commission proposals to carry out a national study during 2000/01 into asset management.

5. Conclusions

- 5.1 Overall the study has not achieved the objectives it set itself in the Terms of Reference. This has been for a number of reasons, chiefly, the complexity of total service provision (i.e. the number of services/departments with a property management involvement) and the time available for completion of the study (both overall timescale and time commitment of Officers/Managers providing information to the review).
- 5.2 Incompleteness of information makes it difficult to arrive at any meaningful recommendations. However, it is clear to see a number of actions that are both desirable and necessary bearing in mind the requirements of Best Value and the DETR guidance on Asset Management. A recommended set of actions is presented in Section 6.
- 5.3 The only real comparative information on property management has been as a result of the benchmarking exercise and work with partners will continue. Ideas on suitable performance indicators have been developed and these will be useful for inclusion in the Best Value Performance Plan.
- 5.4 User survey results indicate that there is room for improvement both in terms of the advice given and the repairs and maintenance service. There is also a need to reassure client departments that an accurate, up-to-date property listing is available and that the DETR recommendation of unique property reference numbers is implemented.
- 5.5 More work is required before any service provision alternatives can be recommended.

6. Recommendations and Action Plan

- 6.1 To improve the quality of property management. This is to be achieved by consultation with the Voluntary Sector on the Council's Draft Asset Management Strategy and submission of a final report to Committee for endorsement. The approval of an Asset Management Strategy will clarify why property is held and outline the procedure for dealing with property surplus to the requirements of service users. The current fragmented property ownership within MKC has resulted in under utilisation of property.

- 6.2 To improve consultation with commercial tenants. Only 15% of Councils are undertaking this consultation and Property Services have recently started the consultation process with a property questionnaire to its tenants. The results are shown in 4.4.
- 6.3 To adopt a clear rental policy to all tenants. The majority of Councils charge all property types to open market value. The Draft Asset Management Strategy addresses this issue.
- 6.4 To continue to work with Benchmarking Partners in developing Property Review/Asset Management Plans (AMPs).
- 6.5 To evaluate the additional resources for AMPs and to report to Chief Officers. Luton, Thurrock and Swindon have dedicated officers in this respect.
- 6.6 To develop clear objectives and policies for AMPs. This will need to be consistent with future DETR guidance. The current Office Review will assist this process.
- 6.7 To acquire dedicated software for AMPs to meet both DfEE requirements and corporate aspirations. The software selection will consider the benefits of a GIS and CAD interface.