



Technical Services Programme Budgets, targets and delivery model

Decision to be taken by: City Mayor
Decision to be taken on: 19 August 2016
Lead director: Frank Jordan

Useful information

- Ward(s) affected: All
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1. Summary

The purpose of this report is to provide an overview of the second phase of the Technical Services Programme. In particular it outlines a delivery plan for achieving savings totalling £7m.

2. Recommendations

The Executive is recommended to;

- (a) Reflect the anticipated savings in the approved budget and budget strategy, and reduce budgets accordingly by the following amounts:
 - 2016/17 £899k;
 - 2017/18 rising to £3,407k;
 - 2018/19 rising to £5,870k; and
 - 2019/20 and thereafter, rising to £6,970k per year.
- (b) Delegate authority to the Director of Finance to determine the specific budget ceilings affected (noting that some of these are in the HRA).
- (c) Approve the work required to fully identify and transfer all budgets for facilities related expenditure under the control of the facilities management service.
- (d) Agree the outline programme of works and resources, specifically:
 - i. Approve the Corporate Landlord model as the future operating model for all property related services; and
 - ii. Approve the depot reduction option to allow detailed scoping of the option chosen.

3. Background

3.1 Background

The technical services spending review covers a wide range of service areas and has been broken down in to two phases. The first phase had a savings target of £3.1m and covered reviews in fleet services, highways management and facilities management.

The City Mayor and Executive approved the following savings targets for the first phase by way of a published decision in May 2015.

	Budget Adjustments £000s				
Service	2015/16	2016/17	2017/18	2018/19	TOTAL
Fleet		902	825	243	1,970
FM		346			346
Highways	589	175	50		814
TOTALS	589	1,423	875	243	3,130

The savings for 15/16 and 16/17 have been fully achieved and the review is on track to deliver the remaining savings for 17/18 and 18/19.

The second phase of the Technical Services Programme started in September 2015 and was given a total savings target of £7m. The second phase was established to conduct spending reviews in the following areas.

- Stores
- Depots
- Disposals
- Facilities Management
- Reactive Maintenance
- Planned Maintenance
- Planning, Transport and Economic Development
- The energy and environment teams

The stores transformation project paper was approved by Executive in March 2016 and a decision notice was published on 1 June 2016. This will bring Highways and Housing Stores together in a move towards a managed service and is expected to deliver savings of £1.8m (increased from £1.5m in the June decision) Work is currently underway to deliver that.

This report provides a further update on the delivery of the programme and outlines a savings programme for the remaining £5.2m.

Table one below outlines the summary of the budget totals where the target savings will be achieved and delivered from.

Table One: Summary of the Baseline Budgets for the Review

Project	Net Budget £000s		
	General Fund	HRA	Total
Stores	1,217	4,122	5,339
Maintenance, FM and Building Cleaning Services	11,580	18,720	30,300
Depots	304		304
Energy and Environment	964		964
Planning, Transportation and Economic Development (excl. Travel Concessions)	9,742		9,742
TOTALS	23,807	22,842	46,649

It is to be noted that these savings identified will be achieved through the General Fund – with the exception of the stores and depot project which will deliver the bulk of the savings through the HRA instead. There is likely to be some element of additional savings made against the HRA over the lifetime of the Programme, however, these cannot yet be identified because of other improvement programmes currently in progress.

4. Next steps

4.1 Savings Proposals

To enable the delivery of the savings target the following actions are proposed to be taken forward.

4.1.1 Corporate Landlord Model £3,515k

Staffing: An organisational review would be undertaken across the Estates and Building Services and Housing in the areas relating to facilities management, planned maintenance and capital works. In addition the level of resources required to deliver capital projects would be set at the right level and then their costs would be fully recovered from the capital programme. The help desk functions will also be reviewed as part of the council's channel shift programme.

Service Improvement: Based on the evidence found through the review and by visiting other local authorities who have adopted this approach (e.g. Wolverhampton City Council and Derbyshire County Council) the Corporate Landlord model offers the best opportunity to transform the service whilst ensuring the effective and safe management of the council's buildings.

Under this model the strategic, operational, and physical ownership of all assets will be transferred from the service areas to the Estates and Building Services division. The Corporate Landlord would focus on ensuring that services are provided with the appropriate level and quality of accommodation to meet their needs.

The benefits of moving to this model are as follows:

- Better alignment of the council's land and property assets to strategic priorities of the council through development of a strategic asset management plan with one division being responsible for carrying it out.
- A clear approach with Estates and Building Services being responsible for providing safe, functioning and efficient buildings for all council departments.
- Centralised data and oversight of all council's buildings including information relating to the statutory compliance within buildings.
- Consistency in the treatment of budgets and tighter control of costs.
- Streamlined processes, including reduction in complicated non-value adding activities including service recharges.
- A new set of performance indicators with clear accountability for performance related to building management and maintenance.

Budgets: Leicester City Council currently operates a devolved budget model with regards to the facilities management of its operational buildings. This means that individual service areas have budgets for facilities management functions which are either provided internally via a service level agreement and recharged for, or are supplied by an external contractor.

The only variation to this is those services which are sited within one of the 12 Centrally Located Administration Buildings (CLABs). The corporate premises management team manages the budget for these buildings as a whole. However each CLAB budget is internally charged for other FM functions such as building cleaning.

The total annual corporate budgets for FM related functions in 2015/16 was £7.8m, however because it was managed at individual cost centre level there was a lack of visibility of total spending on facilities management across the council. This resulted in spending of £10.5m on facilities management corporately (gross).

Data analysis of transaction types reveals the extent to which the cost of FM functions is due to internal recharges as opposed to services provided by external contractors. Only 21% of transactions relate to payments to external contractors, therefore 79% result from internal charging.

This means that finance staff processed 12,682 transactions in 2015/16 which related to the Council charging itself for FM services provided by one service area to another. The proposal is therefore to establish a centralised FM budget for the council and to set a new cash limit for this budget which delivers savings of £325k.

Services to External Customers: Estates and Building Services provide services to external customers including schools. The review has identified that the prices for these services have not been reviewed for a long time and that these prices do not take account of the full cost required to deliver these services. The review will therefore establish the appropriate staffing level to deliver these services and then set the right price level for their delivery.

Contracts and Procurement - Analysis of FM related transactions reveals a lack of a consistent approach to the procurement of services. There is no coordination between service areas over which suppliers are used to supply which services, and frequently the council is being charged different prices by the same supplier for the same services at different sites.

There were 3,337 invoices for FM related functions totalling £2.1m paid in 2015/16 to 163 suppliers. In some instances, service areas are paying external contractors to provide services which are also delivered internally. The corporate landlord model will reduce the total level of contracts to the optimum level and ensure the prices are set at the right level thereby delivering savings for the council.

4.1.2 Transforming Depot Services £340k

Workshops have been taking place with operational Heads of Service and other relevant stakeholders to identify depot requirements with a view to reducing the number of sites from 35. In depth data on each depot was collected in order to understand the assets in use and four potential options have been considered.

1. Keep current depot estate as is (no change)
2. One LCC Depot (a single large depot at Leycroft Road) – with no other sites in Leicester City
3. 3 Depots, but with a generic operating model (e.g. Leycroft Road, Braunstone and Evington)
4. One LCC Depot (at Leycroft Road), but Parks and Cemeteries review current provisions, rationalising into;
 - 4 Park sites (servicing 120 parks and open spaces)
 - 2 Cemetery sites (servicing 4 cemeteries and 12 church yards)

A detailed options appraisal exercise has been undertaken and it is recommended that the cost, feasibility and organisational impacts opportunities of options 3 and 4 are examined further in more detail, with the aim to have the full report ready for Executive approval in October 2016.

4.1.3 Energy and Environment Team £400k

The Energy and Environment review envisage savings of around £400k through initiatives which include looking at the existing staffing structure and merging the Home Energy Team and the Leicester Energy Agency Team. In addition, savings around reducing the running costs and returning to basic billing operation will help in meeting this target.

4.1.4 Planning, Transportation and Economic Development (PTED) £700k

A review of the potential for additional income to address savings targets has identified a sum of £520k that can be derived from charging for pre-application planning advice, utility permits for roadworks, increasing car parking fees and fines, Road Safety Partnership income and external grant supporting the Development Team staffing costs.

The balance of £180k savings will be achieved through a review of staffing across the PTED Division.

£505k can be delivered in 2016/17, with the full savings to be achieved from 2017/18.

4.1.5 Passenger and Fleet Transport Services (Phase Two) £200k

In addition to the previously agreed savings, a number of further savings arise out of the work delivered through the programme, and hence a further £200k will be deliverable from 2019/20.

4.2 Budget Target Savings (2016-19)

As outlined above, the budgets where the savings will be made have been identified by the programme and validated by the Finance Team.

The proposed target savings are summarised in the Table Two below.

Table Two: Proposed Cumulative Savings (£000s)

	2016/17	2017/18	2018/19	2019/20
	£000's	£000's	£000's	£000's
1 Staffing review / organisational restructure	-	200	1,050	1,665
2 Corporate Landlord	100	350	450	675
3 Centralised FM Budget	-	325	325	325
4 Services to Schools	-	75	150	150
5 Building Maintenance and cost recovery	-	80	150	200
6 Procurement / Contract Management exercise	-	200	500	500
<i>Sub-total Corporate Landlord Model</i>	<u>100</u>	<u>1,230</u>	<u>2,625</u>	<u>3,515</u>
7 Stores - Approved 9th June £1.5m now £1.8m	180	1,063	1,815	1,815
8 Transforming Depot Services	82	189	340	340
9 Energy and Environment	32	235	400	400
10 Planning , Transport and Economic Development	505	690	690	700
11 Fleet	-	-	-	200
Total	899	3,407	5,870	6,970

5.0 Financial, legal and other implications

5.1 Financial Implications

The £3.1m savings from phase 1 have previously been identified and are currently being delivered, principally from the fleet review and highways.

The target savings for phase 2 are some £7m and are intended to come from a range of areas as detailed in the report. They will make a significant contribution to the Council's financial pressures.

However, the risks to delivery should be noted. The individual savings are of necessity largely estimates at this stage. Significant organisational and cultural change across the Council is entailed. The implementation will take place against a backdrop of generally declining budgets and building closures where the premises costs may already have been factored into savings to be counted towards service-led spending reviews. The savings will inevitably be challenging to achieve in full.

It should also be noted that the savings will be shared across the General Fund and the Housing Revenue Account, and hence will contribute to the pressures occasioned by the cuts in Government funding and the annual rent reductions respectively. As a guide based on the budgets, this could be in the region of 28% HRA and 72% General Fund.

Colin Sharpe, Head of Finance, ext. 37 4081

5.2 Legal implications

This report is primarily concerned with internal management arrangements and there are no direct legal implications.

John McIvor, Principal Lawyer, 37 1409

5.3 Climate Change and Carbon Reduction implications

A number of the required improvements identified by the technical services review, if realised, will have added benefits for the council's carbon footprint. One example is the benefit of a rolling programme of condition surveys. At present, the council's repairs and maintenance are carried out on a like-for like basis due to the short turnaround needed. A more efficient rolling programme of condition surveys in council properties will provide longer timeframes that could allow the business case to be made for more energy efficient upgrades.

The Corporate Landlord Model will streamline a number of processes, and will allow the council to more efficiently manage its property portfolio. The centralised system is clear and will avoid services that wish to have an input in certain processes 'missing the boat' due to a lack of knowledge on which department is responsible for different stages of building management (eg energy measures more easily implemented at the refurbishment stage, rather than being retrofitted). Savings from building consolidation will be realised more quickly, as the entire disposal process will be under the same management and will be a quicker process.

Louise Buckley, Senior Environmental Consultant, 37 2293

6. Summary of appendices:

None

7. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

8. Is this a “key decision”?

Yes

9. If a key decision please explain reason

The revenue budget savings are in excess of £0.5m.