

ESTATE & ASSET MANAGEMENT- FUTURE ARRANGEMENTS**Report of the Deputy Chief Executive****1.0 PURPOSE OF THE REPORT**

- 1.1 To seek approval of the Cabinet for the future service delivery model and resources for Estate and Asset Management.

2.0 BACKGROUND

- 2.1 The Council entered into an agreement in February 2014 with Carillion and CBRE for an innovative partnership model. The contractual position was governed by a framework agreement between the Council, Carillion and another provider, CBRE, (known as the "Alliance Agreement"). In addition to the overall agreement there were several sub-contracts (known as "Service Contracts") in which the specific services provided by Carillion were set out and delivered through an Estates contract, the Facilities Management and Asset Management (FM/AM) contract, and the Multi-disciplinary Design (MDD) contract. The contracts commenced on 1st February 2014 for a period of ten years with a potential contract extension of five years. As the Agreement took effect the Council retained a very small core client team to manage this relationship.
- 2.2 Following a change in leadership for the service the Council commenced a contingency service review of Estate and Asset Management (EAM) Services in July 2017. This was in relation to concerns about performance and at that stage early financial warnings were emerging about Carillion; a view supported by the Cabinet Office Markets and Suppliers Department. Carillion PLC entered into liquidation on 15th January 2018. This has led to several months of immense difficulty in both trying to maintain service whilst reducing the impact to the Council of the collapsing partnership. The Council partnership however was in fact contracted through Carillion AMBS, (one of the many Carillion companies) which made the situation more complex as this was a company registered in Scotland. (where Scottish administration law applied) The Carillion workforce locally continued for a period of time, managed by administrators, in difficult circumstances where the number of employees was reducing on a weekly basis. Following six months of negotiation with the administrators the Council implemented contingency options for continued short term service delivery at the beginning of July 2018 when all remaining services provided by Carillion ceased as any remaining employees were made redundant.

3.0 PERFORMANCE ISSUES IN THE SPA

- 3.1 The scoping of a review of the SPA Alliance partnership had already commenced at the beginning of February 2017 specifically considering service performance at that time and delivery against the contract. The findings of the review identified areas of Carillion's under performance.

- 3.2 A structured improvement plan was agreed with Carillion in August 2017 for full implementation by December 2017, but during this period further concerns and lack of progress were raised again by the Council. The key areas for concern that were reported to Carillion's management team in summer 2017 fell broadly into six categories.
- Reporting and KPI Development – more comprehensive, clearer and reflective KPIs were needed in an appropriate report format for each service area.
 - Resource Planning & Skill Mix – a number of services were carrying vacancies, and whilst the personnel deployed on individual projects was a decision for the service providers, the Council requested that this was reviewed by Carillion to ensure that the appropriate skill mix was in place across its range of projects.
 - Localised Decision-making – a more localised mechanism for decision making and dispute resolution should be considered, as the escalation of minor or local issues to the SPA Alliance Board is not an effective use of resources, and nor is the involvement of legal representatives in issues capable of being remedied by management.
 - Alignment of SPA activities with Council Priorities and Objectives – SPA activities must be underpinned and aligned with key Council Plans and Strategies.
 - Mixed Performance/Results – the reasons for the delivery of schemes of varied quality needed to be fully improved upon, so that a high level of quality can be achieved and repeated across successive projects of varying scale.
 - Pricing Clarity – ambiguity around pricing does not support robust financial planning, and can lead to compromised schemes, developments and outcomes. Therefore, pricing and the corresponding services require review, clarification and (if necessary) re-issuing to aid clarity.
- 3.3 Due to the performance issues the Council was faced with significant issues regarding the development and management of our assets. The discussions that took place regarding improvement also related to the identification of significant issues regarding the lack of a strategic plan/s for the use of Council assets, and delays in delivery of some core work, in some cases repairs, in part due to the lack of project management capability that was deemed necessary to drive delivery, alongside what appeared to have been a loose client role function from the Council. In addition, not all Council assets were included in the client role in EAM. Schools estate sat outside of this and this has further added complexity in clarifying the activities and contracts of Carillion and their contractors who were operating in this space and it is only in the last AMP has the leisure estate been included.
- 3.4 At the start of January 2018 the Council again assessed Carillion's performance against the agreed improvement plan and found that the full improvements required had not been achieved and the performance received had in fact deteriorated further. The Council began preparing for the full dispute process contained within the contracts and had indeed put Carillion on formal notice of some areas of dispute at the point when Carillion PLC went into administration.

4.0 LESSONS LEARNED

- 4.1 Clear performance metrics is a critical area of focus for the Council entering into any future commercial contracting arrangements given the situation with Carillion that unfolded in 2017. The majority of what the Council experienced can be attributable to working with a partner in severe commercial decline however the partnership model implemented, in a period of public service reform, could be of less benefit than when first established. The Council in future must place a renewed emphasis on resourcing the contracting arrangements at the beginning of any new commercial arrangement in this area of work with clarity about deliverables and the financial model.
- 4.2 The creation of the Stockport Property Alliance came about from a consortium bid from CBRE and Carillion. At the time of the creation of the partnership the Council undertook robust financial due diligence of both partners prior to entering into the contract. The partnership at the time however was also based upon a significant degree of trust and confidence that the focus would be for the benefit of Stockport. The fact remains that when a large supplier issues profit warnings in the sector and is developing contingency rescue plans, the focus will no doubt no longer be on a specific local area. Given the unprecedented collapse of such a large supplier in the FM/Construction industry, and the effect on Council services and projects, this must make the Council question with caution any future 'public private' partnering on such a large scale with multiple services as was the SPA.
- 4.3 It needs to be highlighted that the performance issues identified with new Council leadership in place were raised prior to any profit warning of Carillion and in this respect issues of Council rigour in a strong client role were being addressed. This illustrated the historical collaborative relationship of the partnership from its inception; in part an advantage in developing the model but a risk when the interests of several parties involved need to be accounted for. Effectively it is believed that the Council placed a significant level of responsibility for delivery in an external provider without clear metrics that demonstrated strategic planning and delivery against objectives. In hindsight, current leadership is of the view that there was little means of addressing gaps in skills needed for high quality delivery though the Council should have been clearer about the ask of the SPA in the activities being delivered. At the very least there is learning about the need for clarity regarding who is responsible for what in the service contracts and how performance issues and under achievement is dealt with. A review of the Council role in both fulfilling the client function, as well as looking at the support provided by our EAM team across all of our assets has been necessary as a result.
- 4.4 These key lessons have been duly considered and been at the heart of the thinking about the model of delivery in the coming years. Whilst not shying away from the benefits realised from strategic public private partnerships that are key to the delivery of many of the Council ambitious strategic priorities, there has been a consideration about having all of our delivery with one provider in the current climate of risk.

5.0 INTERIM SERVICE

5.1 As a result of the collapse of Carillion in January the Council created an interim services structure with the creation of a small number of EAM roles and a number of short services contracts which are described in more detail for each area as follows.

5.2 *Estates*

To prevent a cliff edge scenario as a result of the Carillion collapse, the Council created an interim structure with a small core team. Where necessary this core team has been supported by utilising strategically commissioned external supplier resources, including but not limited to CBRE and a twelve months call-off services arrangement with Amey.

5.3 *Facilities Management and Asset Management*

Following detailed discussions with the Carillion administrator the Council, entered into a twelve months direct award for the provision of Facilities Management and Asset Management services with Robertson FM. The service contract with Robertson will end on 29th June 2019.

5.4 *Multi-disciplinary-design*

The Council created a small core client team, in the technical disciplines of design & design engineering; building surveying; construction management; and quantity surveying. This core client team have been supported partly by utilising strategically commissioned external supplier resources, including but not limited to CBRE and AHR. This small core team have acted as Client Project Leads to support the delivery of the MDD Services.

6.0 DEMANDS ON THE SERVICE

6.1 The Council is currently delivering a number of priorities in the EAM space.

6.2 This includes asset rationalisation, increased income generation through best use of assets, partnering co-location, regeneration and development both on a large and small scale and the delivery of assets of sufficient quality that are suitable for appropriate use and are health and safety compliant. The vision that the Council has outlined for the Borough is predicated on its ability to ensure that it retains commercially viable and financially sustainable assets into the future. The regeneration agenda for the borough will enable significant social, environmental and wellbeing outcomes for the residents of Stockport. To achieve the agenda there are huge demands on the EAM services to support the delivery of ambitious programmes of change, both in the town centre and district centres.

6.3 There are however issues that are now legacy issues for our estate that need to be addressed. The collapse of the partnership in January 2018, along with the detailed negotiations with administrators have created both delay in service delivery across the EAM disciplines along with an identification of areas of work that have not been a priority for some time. The lack of a robust and evidenced based strategy for delivery of a fit for purpose schools estate is one area of significant concern. It is only in the past 18 months that the leisure estate has been brought back into view of the EAM team and the single property budget

(SPB) creating concern about the condition of some of our assets. Both of these areas as well as back logs in what is core EAM work (e.g. valuations, disposals, rent reviews etc.) have informed the proposals in this report as to the approach in the coming years.

- 6.4 Health and safety concerns related to the condition of our assets must remain front and centre of the priorities. Condition surveys have been undertaken in recent years of both civic and community buildings, but the repair and remediation has been limited depending on available resource. A longer term strategy needs to be created as a matter of urgency for the rationalisation of our estate on the basis of quality and fit for purpose in an affordable financial envelope. Challenging though this will be the Council will need to address a recent legacy of underperformance in this area.
- 6.5 There are also particular issues to consider regarding the range of opportunities within the Health and Social Care integration work that need to be considered to realise the benefits from joint working within the public sector Estate. This will provide for collaboration to ensure that maximum support is derived from the changes to the GM health and social care infrastructure which will be necessary if the ambitions in the GM HSC strategy 'Taking charge' are to be realised.
- 6.6 System Leadership is required for a range of EAM key drivers and principles to align the core enabling and commissioning functions of the service. This links to public sector drivers through place making principles to deliver an efficient Estate, which is not focused on organisation self-interest alone.
- 6.7 All of the above however require a skilled and capable workforce whether delivered by the Council or contracted out. Increasingly we have seen the need for a strong client role alongside a stronger project management capability that delivers on time and to specification. The EAM team even within the SPA were not strong in delivery in this space and increasingly the Council has been stretched thinly in supporting senior officers in the delivery of key projects. This has led to overruns and problems with compliance to deadlines, with a knock on effect on other priorities.

7.0 THE FUTURE MODEL OF EAM

- 7.1 A detailed analysis of the main options for delivery of the future for EAM services has been undertaken and which fall into four main areas. These options have been explored in detail using a range of tools and understanding of core services to arrive at the proposed model set out in detail in section eight of this report. An understanding the Carillion legacy issues has also been a strong focus of this analysis to ensure that the Council has a much better quality of service delivery going forwards both on a core basis but also to assist in bringing performance up to an acceptable level quickly on some core priorities. Each of these options have been considered separately but for the range of service areas within the EAM service there are of course opportunities to consider each option against each service area.

7.2 **Option ONE**

7.2.1 Establish a shared service arrangement with another, ideally neighbouring, local authority or cluster of authorities.

7.2.2 A SWOT (Strengths, Weaknesses, Opportunities, and Threats) assessment was undertaken to review the option of shared services with other local authorities. The analysis highlighted the many benefits of this approach and a number of risk factors for the Council to take into consideration. In summary it highlights the benefits of joint working in the future to support a range of commercial opportunities for the organisation.

<p><u>STRENGTHS</u></p> <ul style="list-style-type: none">• Shared resources/costs/shared risk.• Greater Financial control and resilience.• Increased transparency to demonstrate Best Value.• Public Sector – good payer to businesses/supply chain.• Develop local supply chain/boost local economy.• Existing examples of shared service models in and working and proving successful – eg STAR.• Greater buying power.• Greater knowledge/shared expertise.• Support services efficiencies.• Greater resilience around service delivery.• Direct management over resources.• Control over future growth opportunities.• Control and ownership of services.• Develop and upskill resources.	<p><u>WEAKNESSES</u></p> <ul style="list-style-type: none">• May not be prioritising Stockport sufficiently• Conflicting demands/objectives between partners.• Requirement to align practices and procedures.• Requirement for new governance arrangements.• Limited access to specialist technical knowledge.• Location of staff and operations.• Implementation costs and time, and establishment of governance.• Required management capacity and resource.
<p><u>OPPORTUNITIES</u></p> <ul style="list-style-type: none">• Improved performance and efficiency.• Better focus on core business.• Rebrand current services.• New business – saving jobs / streamline the new business.• Retain staff and develop skills and knowledge.• Increased opportunity to deliver collaborative savings and cost reduction.• Identify and grow further commercial opportunities.• Joint contract management.• Further engagement and support to local businesses.• Develop a recognised service of excellence across Greater Manchester.	<p><u>THREATS</u></p> <ul style="list-style-type: none">• Changes in external commercial environment.• Changes in political leadership leading to changes in service delivery.• Changes in services leading to redundancies.• TUPE implications.• Financial Risk to all partner authorities.• Changes in government legislation.• Competition within the external marketplace.

7.2.3 Given the recent experience of performance within the SPA and the liquidation of Carillion, the legacy issues the Council now faces on estates and asset management require a priority focus on Stockport and it is considered that this may not be the case in sharing the service with others at this point in time. It is important that the Council builds both confidence and drive in our strategy to address these issues and sharing with another Council will take time and partnership to build this confidence and approach; which could delay our addressing of issues. This model is therefore not the preferred approach as we address the challenges in Stockport in the short term.

7.2.4 A shared service arrangement with another public service could be considered in the future but is considered a risk to deliver our priorities in the short term. We will of course continue to discuss with other opportunities to share elements of the service and work in partnership as opportunities arise which could lead to a sharing of services in the future.

7.3 ***Option TWO***

7.3.1 Enter into other strategic partnership(s) with other commercial property services provider(s).

7.3.2 Pros - There are many benefits attributable to partnering with another private service provider with in the main the benefits being risk and gain share in a cost driven environment; effective so long as there is a higher priority of ensuring that the management and development of our assets and estate is compliant from a performance and health and safety perspective. This allows for expertise from the private sector to support the Council with all aspects of estate and asset management and can respond to key challenges of a reactive nature, but at the same time driving value from commercial opportunities and knowledge sources. The same rationale as existed in the original business case theoretically still applies.

7.3.3 Cons – However with this comes significant risk. Due to the huge impact that Carillion's liquidation has had on the Council, including the period of poor performance in the run up to the liquidation event, and the legacy issues that remain as a consequence of these, consideration needs to be given to the possibility of a similar pattern happening again within the current industry challenges. More detailed scrutiny would need to be undertaken at the due diligence stage of any partnering arrangement, along with continuous financial company scrutiny throughout the life of any contract going forwards. The impact of needing urgent contingencies across all service aspects of EAM also cannot be underestimated. Dealing with such complete service failure of all contracts again with one partner would remain a significant risk should this model be considered at this time.

7.3.4 Given the current challenges and the need to course correct the activity in the EAM function, it is felt that placing all services within a similar partnership would not be in the council's interest in the current financial climate and this model is therefore not recommended.

7.4 **Option Three**

- 7.4.1 Provide all services using in house resource, using specialist consultants and contractors as required.
- 7.4.2 Pros – the benefits of in-house delivery of an EAM service in its entirety, particularly following the significant failure the Council has experienced with the SPA are to be able to directly develop, manage and performance manage delivery against Council priorities and specification. As a direct provider the Council is also able to manage better its resource allocation in this service area. It enables the Council to be more responsive and respond to the day to day challenges of managing such complex asset management issues without needing to deal with a third party. Essentially the Council remains in control of its assets and both develops, manages and utilises them to priorities and timescales set within similar governance processes.
- 7.4.3 There is also the opportunity to develop a strong focus on core provision of talent that is required on an ongoing basis enabling the Council to be able to provide this at cost without a private sector margin being added to account for commercial gain. This is reflected in the future arrangements for the service as described in further detail in section eight of this report.
- 7.4.4 Cons – There are critical skills however that the Council may neither have nor be able to develop at scale within a resource base that is value for money. Our statutory compliance area requires an approach that is both preventive, reactive and one of managing risk that requires a cross section of skills that may not be deliverable on such a small scale.
- 7.4.5 This could also have a significant impact on the support provided in particular to our support for regeneration and more will need to be explored in the alignment of the role of EAM in their work alongside the regeneration work in the Town to ensure that appropriate support at the appropriate level is provided. To achieve our vision for our EAM provision there is a need for continued development and opportunities for the workforce to look beyond traditional approaches.
- 7.4.6 A core focus for any local authority should be on strengthening the commissioning talent and skills within the organisation. This is pertinent for the Council as with the direction of travel for large capital projects for new build opportunities arise, in order to achieve maximum value for money, robust and detailed scoping exercises and specifications are required.
- 7.4.7 With a rapidly moving commercial environment it is vital to ensure that in house resources can be reactive to the niche challenges of a diversified Estate, such as is the position that many local authorities hold. The main limitation of siting all of the professional and technical competences within a core in house team, with no medium to long term partnering arrangements, means that when additional specialisms are required there is limited strength of knowledge of the Council's core functions and strategic direction.

7.5 **Option Four**

- 7.5.1 Establish a new Special Purpose Vehicle (SPV) or utilise an existing subsidiary entity, legally separate from the Council to employ staff and provide the relevant services.
- 7.5.2 The appraisal to explore the possibility of creating a new SPV to provide services rests on having a robust business case to undertaken this option. It is felt at this stage that this would only represent value for money for the Council where opportunities for an additional trading arm was deemed necessary. For the services that are to be undertaken on the Council's Estate there is no business case at present that would mean that an SPV would provide any added benefit rather than the Council providing the services in-house. Due to the backlog of work and the need for an all-encompassing estate strategy to be developed (that includes our community assets, schools and our approach to one public estate) it is considered that the focus in the main should be both owned and driven by the Council Cabinet to ensure we regain our baseline and the necessary standards for our residents.
- 7.5.3 Following an assessment of the Council's corporate family structure there are a number of services that are provided on an SLA basis, but there is not an established structure that would provide all of the EAM services that were previously undertaken by Carillion. Opportunities have been previously offered through contracting process to be assessed against the procurement criteria set and this remains as an opportunity for any contracting arrangements in the future.

8.0 **SERVICE AREAS**

- 8.1 The following outlines the proposed model for each service area in a newly designed EAM functional service.
- 8.1.1 **Estates**
- 8.1.2 It is proposed that the delivery of Estates services remains as an in house service, supported by niche commissioning of external suppliers when required. The Council recognises the emphasis and importance of maintaining an efficient Estate, which maximises the value of the Council's assets through the use of robust Estates Management practices, under the Corporate Landlord remit. In order for the Council to continue with the efficiencies achieved in recent years through proactive management of the Estate, it requires a strategic and agile approach to Estates Management.
- 8.1.3 The Estates service carries out a number of key functions under the Corporate Landlord remit including rental collection; payment of third party rents; lease renewal and rent review implementation/negotiations; lettings for the investment Estate; tenant liaison and general Estates management; CPO implementation and negotiation of compensation claims; leasehold enfranchisement valuations; right to buy valuations; Estates enforcement e.g. control of horses, covenants and trespass etc.; disposal and acquisition of land and buildings; capital accounting valuations; and valuations for other internal purposes.

- 8.1.4 The key Medium Term Financial Plan (MTFP) workstream for Place and Property places an emphasis on having fewer and better assets that will be further developed with a refreshed Corporate Asset Management Plan. The Estates services supports the implementation of the key MTFP programme of change by delivering lease terminations and disposal of surplus assets, and has an in house service that can be responsive and flexible whilst owning the organisational vision. This requires close Council attention to detail in the delivery of decisions made.
- 8.1.5 As this team evolves and continues to embed, the 12 months support provided by Amey will assist in dealing with the back log. On termination of the arrangement with Amey, additional roles will be created within the structure to support the delivery of key projects and Estates management. These roles will be required from July 2019, with recruitment activities starting in March 2019.
- 8.1.6 The proposed service structure reflects the need for a talented and highly competent workforce with succession planning and development of local talent. It provides a route to professional qualification for the graduate and project support officers. This is key to the delivery of an ambitious sustainable service structure fit for the future. The Council proposes to support a number of officers through a degree apprenticeship, which will lead to full membership of the professional body The Royal Institution of Chartered Surveyors (RICS). This will be funded through the apprenticeship levy arrangements, with the first delegates expected to start the course in January 2019.
- 8.1.7 This core service structure will be supported by the commissioning of niche Estates suppliers when additional resources are required for specialist project work.

8.2 Schools Estates

- 8.2.1 One of the areas for Estates that requires significant attention is that of schools estate. This function has for many years been separate to the EAM team and been delivered in the commissioning school places team without a technically qualified commissioning client. There are now significant issues emerging about the standard of our school estate and the offer of adequate school buildings that meet the population needs.
- 8.2.2 The Schools Organisation Education Capital team (SOEC) within the Commissioning Schools Places section provides key activities for the monitoring of schools capital programmes and project delivery for new schools buildings, refurbishments and addressing critical repair issues. This is driven by analysis of pupil numbers and projections of demand for pupil places across Stockport. The quality of our school buildings however remains an issue. Schools have been closed over time and we now have insufficient capacity in some areas to meet local demand.
- 8.2.3 The Cabinet's Medium-Term Strategy, published in August, set a clear ambition to review and improve the Council's approach to Strategic Commissioning. In October, the Cabinet provided additional detail, describing how a key part of creating a sustainable Council over the coming years is the need to get the most out of every pound we spend. This is true both where we are delivering

services ourselves and where we buy goods and services from other providers. Structured reviews of all service performance, delivery models and contract arrangements across the Council will take place over the coming four years. Stronger commercial and analytical skills will work alongside service expertise to better manage public service suppliers.

- 8.2.4 The Council therefore needs to review its approach to schools related commissioning, as an initial step towards delivering the Council's wider strategic ambition, and to provide a longer term strategy that includes improved quality. To enable this the SOEC team has been incorporated into the corporate structure and EAM Services have included a dedicated schools team within the structure as part of the service redesign. If this is approved it is expected that there will be a full school estate strategy developed that improves standards in school buildings whilst also responding to reactive maintenance needs.
- 8.2.5 It is proposed that this is an in house provision staffed appropriately, with capacity as a core team for delivery of this service, but is additionally supported for a short period of time to ensure the strategy and resulting implementation plan is addressed quickly.

8.3 **Strategic Estates**

- 8.3.1 A number of the key Council and Greater Management priorities rely on the delivery of a strategic vision that seeks to drive maximum value from the public estate in order to enable the delivery of our local and national policy objectives. This includes the drive of the development of more 'fit for purpose', flexible and cost efficient estate, which in the long term will lead to social and economic benefits including additional housing delivery; economic and employment growth. The Stockport and GM Strategic Estates Groups are now moving beyond the initial focus on Health and Social Care (delivered through the Stockport Together Estates Enabler), towards a broader, place-based approach, strengthening links to the GMCA and the One Public Estate (OPE) programme.
- 8.3.2 To support the delivery of this agenda it is imperative to create some in house technical programme support to deliver a marked move from the strategic work undertaken in the last two years into project implementation. This support is expected to last for a period of up to 18 months to deliver on a cohort of OPE changes.
- 8.3.3 It is proposed that this is an in house responsibility staffed appropriately for a fixed period of time in the first instance.

8.4 **Facilities Management and Asset Management**

- 8.4.1 The Council recognises the emphasis and importance of maintaining a statutory compliant and efficient Estate that is healthy and safe for all to use. It is recognised that there are significant risks associated with failure to do so. In order for the Council to continue with the efficiencies achieved in recent years through proactive management of the Estate, it requires a strategic and agile approach to Asset Management.

- 8.4.2 The Corporate Landlord approach to FM/AM over the recent years has seen the Council benefit from significant financial efficiency savings. This approach places an emphasis on having fewer and better assets that will be further developed with a robust Corporate Asset Management Plan. To enable further efficiencies it is important for the Council to utilise a commercial partnering approach to share in the risks and rewards in achieving these outcomes. On this basis it is proposed that this is a contracted service with robust performance measures.
- 8.4.3 The Council is proposing to procure a Facilities and Asset Management partner, through an incentivised contract delivery mechanism under a newly procured arrangement. For this approach to be effective, it will span across all areas of Estate under the Council's control.
- 8.4.4 Through an incentivised partnering arrangement, the right property in the right places will be achieved through a clever performance management structure built into the contract. This will assist the Council in driving the efficiency benefits required to deliver the changes necessary to the Estate and benefit from a strategic partnership with the resources necessary to deliver key strategic priorities.
- 8.4.5 It is proposed that this is a contracted service for a period of five years, with a potential three year extension. Further detail is outlined in the Exempt appendix One.

8.5 Design and Technical

- 8.5.1 The Council recognises the emphasis and importance in maintaining fit for purpose Estate, with the right properties in the right places. In order for the Council to continue with the efficiencies achieved in recent years through proactive delivery of Design and Technical (D&T) services, a mixed economy approach is required, with a strong emphasis on strengthening the strategic commissioning capability of the Council's large capital works programmes where appropriate. It is proposed that there is a small in house team with technical qualifications and skills but these are supported on priorities and schemes over a certain level by external contracts on specific projects. Furthermore, it is proposed that there are additional short term fixed posts created to supplement the core team to ensure a catch up remedial programme of work is in place to assist in projects significantly behind schedule.
- 8.5.2 It is vital for the Council to ensure that five key principle areas of delivery for this technical team are achieved as outlined:
1. An ability to respond quickly to design work for maintenance and repairs of up to a certain value.
 2. Early engagement with the building contracting industry and seeking to deliver innovation in construction services.
 3. Robust pre-procurement review points delivered with experts undertaking the strategic tendering and reviewing of construction projects prior to award, which will ensure that issues will be identified at an early stage in the tendering process.
 4. 'Should cost modelling' to help aid in bid analysis. The creation of robust initial design and cost modelling will be used to identify any issues with

contractors' bidding procedures, where significant under or over bidding will be detected. This will help to inform the process of ensuring that contractors have understood the specification for the scope of works they are bidding on. A robust approach to understanding how the supplier is going to make money from the project is essential to ensuring the commissioning of these projects is correctly undertaken.

5. Bid metrics will be used for the financial assessment of a project, including the life of the contract and also the building life expectancy of the completed project.

8.5.3 A heavy emphasis is placed on niche routes for service delivery, whether this is through in house resources and/or supported when necessary by the commissioning of external providers to ensure that the right people are undertaking the right scope of works. This approach to service delivery will be derived based on scope of the project, type of asset and estimated contract value.

8.5.4 A small core client team enables the Council to strengthen the approach to technical commissioning of services. This team will focus on creating detailed strategic briefs across a range of asset types, which will be supported by specialist consultants.

8.5.5 The Council will also have access to a number of Framework supply routes to make efficient use of the commissioning tools available. STAR procurement are in the process of establishing a four-year professional services Framework in conjunction with Trafford Council, which this Council will have access to. The Council also has access to a number of Frameworks including, but not limited to, the Crown Commercial Services; Homes England; Department for Education; Bloom; and Scape.

8.5.6 The Council will utilise the Frameworks as mentioned above, but will monitor the effectiveness of these over a 24 month period. The Council does not intend to limit the procurement of MDD services to these Frameworks, and for specialist projects that require additional services will have the ability to undertake further strategic commissioned tendering opportunities.

8.5.7 The Council has formed a relationship with Oxford University to scope out and deliver fundamental corporate capability development in this element of service delivery. The Siad Business School are working with the Council to develop further Building Information Modelling (BIM) capability, which will drive further efficiencies from the Council's VFM exercises when commissioning large capital projects and programmes.

8.5.8 The proposed service structure reflects the need for succession planning and mentoring of senior officers with a route to professional qualification for the graduate senior officers. This is key to the delivery of an ambitious sustainable service structure fit for the future. The Council proposes to support a number of senior officers through the two year development programme which will lead to full membership of the professional body The Royal Institution of Chartered Surveyors (RICS).

9.0 FINANCIAL IMPLICATIONS AND RISK

- 9.1 The estimated financial implications of the proposals contained within the report are detailed at Appendix three. This indicates that the initial proposals will require additional revenue budget of c. £0.143m on a full year basis. It is proposed that this requirement will be added to the Medium Term Financial Plan update to be considered by the Cabinet in December 2018 following the publication of the Provisional Local Government Finance Settlement.
- 9.2 The estimated revenue implications assume the ability to capitalise an element of the staffing structure on the basis that the staffing will directly contribute to the creation and / or enhancement of capital assets of the Council in line with capital accounting rules. The actual capital recovery costs will vary and be dependent upon actual work carried out and the risk will be managed by the creation of an agile and flexible structure that can be amended to align with the Council's capital programme.
- 9.3 The need for additional revenue budget is a recognition of the need to stabilise and enhance the Council's service provision in Estates and Asset Management following the issues with the previous arrangements as well as recognising that there is work outstanding that needs addressing as a priority.
- 9.4 The risk of not recognising this requirement will manifest itself in a reduced capacity and capability to meet the service objectives and priorities as outlined in the report which could have an adverse impact on the Council's Medium Term Strategy and resultant adverse financial impacts.
- 9.5 As is the case of all service areas in the Council the requirements and staffing structures in place are continually monitored and reviewed to ensure that the aims and objectives are met in a way that secures Value for Money to the Council.

10.0 CONCLUSION

- 10.1 In conclusion it is vital that under the new leadership and the new management team created within the service there is a robust and rigorous approach to delivery. The performance issues with the SPA and the review that was undertaken need to be at the forefront of service interaction going forwards, with clarity and governance of the role that EAM plays alongside other Council service areas to support in the achievement of Council ambition.
- 10.2 Prior to the Liquidation of Carillion, the Council experienced twelve months of significant performance issues with the partnership, followed by a further six months of severe difficulties with service delivery during the Liquidation process. The Council has been the recipient of effectively minimum service exasperated by a lack of strategic direction of the management of our estate and of delivery of key projects relating to it.
- 10.3 The proposed approach will enable the service to consolidate and develop core standards forwards quality, effectively establishing a new approach. The short term additional capacity required will enable priority services to be brought up to an acceptable standard. At this stage a financial outline is set out in the Exempt

appendix three, but there may need to be additional resources requested from reserves once we start to commence at speed, subject to priorities and demands for remedial work.

- 10.4 It is believed that at this stage and in the current economic climate that this is a positive way forwards and the small team that has been established so far has brought a new set of skills and knowledge into the service already, and this will be enhanced with additional high quality skill set going forwards.

11.0 RECOMMENDATION

- 11.1 That the proposed approach is approved for Estates and Asset Management, supported by niche supplier commissioning as required on project by project basis. This includes additional temporary additional support for remediation works to deal with back log.

- 11.2 This will include:

- An in-house estates team
- A dedicated schools estates team
- A small Design and Technical team
- An FM and AM client team

- 11.3 That the procurement of a Facilities and Asset Management supplier is undertaken, with a contract to commence with effect from 1st July 2019, as detailed in the recommendations contained in the Exempt Appendix 1. Authority to be delegated in line with the existing scheme of delegation for the Deputy Chief Executive and Cabinet member with portfolio responsibility for the contract area to procure, finalise and agree the terms of the contract and any subsequent call-off contracts.

Exempt Appendices

1. Delivery of Facilities Management and Asset Management Services
2. Structure Chart
3. Financial framework
 - a. Previous resource for SPA
 - b. Resource requirement for EAM core
 - c. Additional short term resource requirement for remediation plan.

Background papers

There are none.

Anyone wishing to inspect the above background papers or requiring further information should contact Charlotte Cordingley on Tel: 0161 474 4240 or by email on Charlotte.cordingley@stockport.gov.uk