



OVERVIEW AND SCRUTINY BOARD

11 JANUARY 2011

FINAL REPORT OF THE ENVIRONMENT SCRUTINY PANEL - PROPERTY SERVICES

PURPOSE OF THE REPORT

1. To present the Environment Scrutiny Panel's findings, conclusions and recommendations following its investigation of Streetscene's Property Services function.

INTRODUCTION AND BACKGROUND

2. The panel's investigation was undertaken as a short topic over the course of two meetings held on 11 and 29 October 2010. A further panel meeting, on 16 December 2010, considered the scrutiny panel's draft final report on the subject.
3. A Scrutiny Support Officer from Legal and Democratic Services co-ordinated and arranged the submission of written and oral evidence and arranged witnesses for the review. Meetings administration, including preparation of agenda and minutes, was undertaken by a Governance Officer from Legal and Democratic Services. Copies of papers considered by the scrutiny panel, including agenda, minutes and reports, is available from the Council's Committee Management System (COMMIS), which can be accessed via the Council's website at www.middlesbrough.gov.uk.
4. The membership of the scrutiny panel was as follows: Councillors Kerr (Chair); Carter (Vice-Chair), Clark, Davison, C Hobson, Hubbard, Lancaster, McPartland and McTigue.

TERMS OF REFERENCE

5. The scrutiny panel's findings are set out below in respect of the terms of reference, as follows:
 - *To examine the range of services provided by Property Services.*
 - *To examine how the service is structured, including arrangements with Mouchel and the implications of the forthcoming transfer of some Mouchel services back to the Council.*
 - *To consider the implications of likely budget reductions - ie current departmental budget holding arrangements and how Property Services might ensure that it is best placed to respond to changing circumstances.*

THE SCRUTINY PANEL'S FINDINGS

6. The scrutiny panel's findings are set out below against each of the terms of reference.

TERM OF REFERENCE: "To examine the range of services provided by Property Services."

7. In examining this term of reference the scrutiny panel considered information in respect of Property Services' role and range of services.
8. In considering information in respect of these areas of work, information was submitted regarding:
 - The role of property services
 - The range of services provided
 - The scope and value of services
 - Employment and staff training
 - Customer satisfaction

The role of Property Services

9. Property Services is part of the Streetscene Services section, and is the Council's in-house direct service provider for building cleaning, property maintenance and other associated services, it is also the focus in the Council for cleaning expertise and advice. These services have been delivered since the Council was created as a unitary authority in 1996. The service has since evolved into a single, cohesive, customer-orientated property service within and beyond the boundaries of the local authority.
10. The service's offices and operational base are at Cargo Fleet Lane, Middlesbrough. These are utilised under a rental agreement with Erimus Housing, with the lease expiring in August 2011. Alternative locations for the Property Services function are being explored as part of the review of depot arrangements which, at the time of writing (December 2010) is ongoing.

Range of services provided

11. The services provided by the Property Services function are wide ranging and diverse and cover:
 - Building Cleaning
 - Security Services
 - Caretaking Services
 - Building Works

Building Cleaning

12. Property Services is responsible for the routine internal cleaning of approximately 200 sites, with the total annual area cleaned in excess of 65 million square metres. The majority of sites are Middlesbrough Council buildings, including schools, although some work is also undertaken for a neighbouring local authority and local law courts. The service cleans around 90% of buildings that are under the control of the local authority.

13. It also acts as the focus within the Council of cleaning expertise and advice and also provides specialised cleaning/maintenance services, including:

- Cleaning of over 75 asylum seekers properties in the last two years
- Special deep cleans of Social Services clients properties
- Special property cleans on Police request.
- Council focus of client cleaning expertise and advice.
- Infection control support.
- 24/7 call out arrangements.

Security Services

14. Security services that are provided include:

- Mobile security patrols as required at various sites.
- Static security patrols covering Council/external sites and car parks.
- Security at Middlesbrough Bus Station.
- 24/7 call out arrangements.

Caretaking Services

15. These include:

- Regular caretaking provision at Council buildings.
- Relief caretaking.
- Key holder services.
- A building attendant service for town centre Council buildings.

Building Works

16. The building works function covers responsive day-to-day repairs and maintenance of buildings including joinery, glazing, electrical, plumbing, heating and ventilation works. The service undertakes over 2000 jobs each year.

17. In addition, Property Services also provides:

- a) Portable Appliance Testing - on average 10,000 items tested per year.
- b) Fire Alarms, Batteries and Emergency Lighting (FABEL) - planned cyclical testing and remedial work at 65 sites - with a total of over 7000 individual checks carried out per year.
- c) Heating, Ventilation and Air Conditioning (HVAC) planned cyclical testing and remedial work at 150 sites - with 400 boilers, 1000 convectors and 900 extract systems checked each year.
- d) Statutory 5 Year electrical inspections and test carried out throughout Council Buildings.
- e) Support for Gresham regeneration - through stripping out/clearing properties and making safe gas and electrics in approximately 400 properties.
- f) Supporting the setting up, maintenance and dismantling of the town's Christmas lights & decorations.
- g) Setting up and taking down/removing temporary polling stations.
- h) Setting up and removing barriers etc for memorial services at the cenotaph.
- i) Carrying out minor works as ordered.
- j) 24 hour call out for all trades.

Scope and Value of Services.

18. The Property Services function operates as a trading organisation in that it is funded through service level agreements (SLAs) with Council departments or external customers or directly from an internal budget holder. Information was submitted in respect of the value of the work that is undertaken annually in relation to:

- Building cleaning work
- Building works

Building Cleaning

19. Work undertaken in building cleaning is valued at approximately £4.3m per year. By approximate value, the work can be broken down into:

- Direct budget work
- Service level agreements
- External contracts/agreements

20. In terms of **direct budget work**, Property Services is the budget holder for over £1.4m of cleaning provision in the Council's former 'scoped' buildings. The scoped buildings are those which were identified, in discussions concerning the original partnership agreement with HBS (now Mouchel), as those with a dedicated repairs and maintenance budget, such as Middlesbrough Town Hall and Civic Centre.

21. Building cleaning work which Property Services carries out under **Service Level Agreements (SLAs)** for schools is worth over £1.5m per year. Work undertaken on behalf of Council departments is valued at approximately £0.7m per year.

22. As work undertaken through **external contracts/agreements** falls under the control of an internal budget holder (e.g. a school) or an external customer, Property Services has to secure this work in competition with external cleaning companies. Work undertaken in this category is valued at approximately £0.7m per year. Despite the competition element, Property Services has a high rate of success in retaining work and securing fixed term agreements, which allow for workloads to be planned and offer increased security of employment for staff.

Building Works

23. Property services carries out building works to the value of approximately £2.0m each year, with the majority of the work undertaken being responsive day to day maintenance of Council buildings. As this is currently difficult to plan due to the uncertainty of work on a day to day basis, management have been working to identify potential sources of work within the Council and also work that can be undertaken on a planned basis.

24. The scrutiny panel heard that approximately one third of the Building Works workload is sourced from Mouchel, who manage the scoped Council buildings¹ under the Council's partnership arrangements. This workflow has been very difficult to predict as Mouchel has historically outsourced a large amount of the work. However, this has improved recently and should improve further as the Facilities Management function is to be returned to the Council in 2011. The remaining work
(Cont....)

¹ See paragraph 20 for a definition of 'scoped buildings.'

is placed by a variety of internal and external sources such as schools, Council departments and external customers.

25. The scrutiny panel examined working arrangements with Mouchel as part of its investigation. Further information is included in this report from paragraph 29 onwards.
26. The Building Works Service employs 15 qualified tradesmen, who are accredited to the national industry standards for electrical work (NICEIC) and gas safety (Gas Safe Register).
27. The scrutiny panel was advised that the Building Works Service will need to relocate, possibly as early as August 2011 due to the current rental arrangement with Erimus Housing at Cargo Fleet Lane coming to an end. Although this has been factored into the Environment Service review of depot provision, the timescale involved may require a short term lease extension to be negotiated with Erimus.
28. Although a review of the building works section commenced in 2009, this has been postponed as Property Services will need to be completely reviewed pending the return of the Facilities Management functions from Mouchel in July 2011.

TERM OF REFERENCE: “To examine how the service is structured, including arrangements with Mouchel and the implications of the forthcoming transfer of some Mouchel services back to the Council.”

29. In investigating this term of reference, the scrutiny panel considered information in respect of :
 - Current arrangements with Mouchel.
 - Staffing and processes.
 - Property services review.
30. As has been outlined earlier, the budget for repairs and maintenance of Council buildings is currently managed by Mouchel as part of the partnership arrangements under the Facilities Management Function. This budget covers essential and statutory maintenance and repairs. It does not cover work such as improvements, major capital works, modifications and adjustments to buildings, nor does it cover work such as painting, decorating or general wear and tear.
31. Mouchel receives an estimated budget of £0.5m for the Management of this function, and control a budget of approximately £1.5m on behalf of the Council’s Corporate Asset Manager for Repairs and Maintenance. An important point which was highlighted is that Mouchel is free to engage whoever it wishes to carry out this work. Approximately £1.2 million (80%) is currently spent with external contractors and £0.3m (20%) with the Council’s Property Services section.
32. There is also a Corporate Asset Management team within the Council who have a number of responsibilities, including being a strategic client and monitoring the performance of Mouchel.
33. The facilities management function is to return to the Council in June 2011 as part of the Mouchel Contract extension negotiations.

34. Property Services Building Maintenance section has a current annual turnover of about £1m. This comprises around £0.3m of the work managed by Mouchel and approximately £0.7m of work carried out directly with other Council customers, including schools.

Staffing & Processes

35. The Property Services building maintenance function employs one Building Maintenance Supervisor who manages 15 operatives including Heating Engineers/Plumbers, Electricians, Joiners and a Glazier/ Tiler. The service is registered on behalf of the Council with the National Inspection Council for Electrical Installers (NICEIC) and Gas Safe (formally CORGI).
36. At the time of the scrutiny panel's investigation (October 2010) the service had two vacancies - for a Heating and Ventilation Manager and an Electrical Engineering Manager. A small business support team within Property Services provides technical, financial, purchasing and administrative support to the front line operatives and to customers.
37. The scrutiny panel found that in terms of the work placed with Property Services by Mouchel, the current administrative arrangements necessitate a lengthy process. The procedures for completing a maintenance job through Mouchel are illustrated at Appendix 1. The view of Property Services management is that to remove this client / contractor arrangement, and for Property Services to directly manage and undertake the work, would produce significant administrative savings. There would also be the potential for elements of the remaining £1.2 million of the £1.5m work currently managed by Mouchel to be retained within the Council.
38. Furthermore, the scrutiny panel was advised that, it is even more important, given the financial challenges that the Council currently faces, that the least bureaucratic and cost effective way to maintain the authority's buildings must be introduced.
39. Property Services considers that if maintenance budgets were rationalised and placed within the service, there could be higher efficiency, greater ability to respond and increased service availability to meet customer need. A revenue based service would allow the employing of more responsive frontline trade staff and reduce the level of overall administration and management by reducing duplication and reducing the use of external contractors.
40. To meet this challenge of a new approach to managing property maintenance by placing budgets directly with Property Services would require the recruitment of trades staff and recruitment to the two current trades manager vacancies. With a significant reduction in administrative procedures, the service considers that significant savings could be made within the present Corporate and Mouchel management budgets. However, this could not be accurately quantified until the full staff and budget details were returned to the Council.
41. A comprehensive review of the operation would need to be undertaken, which would also ensure that specialised and one-off contracts could be undertaken through private contractors. This would assist in managing peaks and troughs of workload while ensuring that work that was done directly by Property Services could be undertaken without the need for a client function.

Property Services Review

42. Property Service has been subject to two independent major reviews in the past 4 years - ie the Middlesbrough Council/Mouchel “Vanguard Intervention” review and latterly the Mouchel “Systems Thinking Review”.
43. In both reviews it became clear that there are significant processes that are only necessary to cope with the current structure of the Council, Mouchel and Property Services - and a number of these processes would not be necessary if the recommendations of the reports were to be implemented. The reports’ summary recommendations identified that the service delivered should be as close to the work/customer as possible and cut out all unnecessary other processes - that is:
- Work required in a Council building is reported.
 - Property Services record the job and undertake the work.
44. Property Services therefore proposes to review its service in conjunction with the return of the Facilities Management function to the Council. This will include implementing a revenue-based service, with a streamlined structure. The service anticipates that this will then result in a better value for money service for the Council, better maintained buildings, and a better and more responsive service to building users.

TERM OF REFERENCE: “To consider the implications of likely budget reductions – including current departmental budget holding arrangements and how Property Services might ensure that it is best placed to respond to changing circumstances.”

45. Property Services’ gross expenditure on Cleaning and Security and Building Works is currently £5.2m per annum. Of this, approximately £4m is recovered from charges to internal and external customers. In most cases therefore, Property Services is not the direct budget holder. The remaining £1.2m relates to cleaning and security services at buildings where Property Services is the budget holder.
46. Where a department holds a budget for work which is undertaken by Property Services, Property Services cannot unilaterally impose reductions on services provided to paying customers as this may invalidate contracts/agreements. Even if customers were to agree to a reduced service they would expect a reduced charge - which would produce a cost benefit to the service area but not to Property Services.
47. Similarly, Property Services cannot easily contribute to the Council’s budget reductions by increasing its charges. This is because the charges are governed by contracts/agreements, or are subject to market forces where customers can choose to use another provider if they feel that Property Services charges do not represent value for money. In these circumstances it is necessary for Property Services to ensure that services are provided as cost effectively as possible to increase the margin earned from customers. This is done by managing administrative costs and searching for productivity and efficiency gains to ensure that charges can be kept at competitive levels. This means that Property Services can both maintain existing work and attract further work, thereby increasing cost effectiveness.

48. In cases where Property Services is the direct budget holder, in addition to effectively managing administrative costs and searching for productivity and efficiency gains, there is also the opportunity to consider reductions in service, for example by reducing cleaning frequencies. While this is theoretically possible, account must be taken that existing cleaning levels and practice are based on only undertaking those cleaning procedures that are necessary and which have been shown to be so historically over time. Although improved cleaning techniques and machinery development will, over time, improve the productivity of staff carrying out the work, the service advises that frequency of undertaking the necessary tasks remains fairly constant in order to ensure acceptable health and safety and hygiene standards for staff and the public.
49. It was emphasised to the scrutiny panel that, although Property Services will always comply with Council priorities in budget setting, its services are very much governed by customer choice and are operating at the minimum level to ensure health & safety standards are met. Budget reductions are therefore difficult to achieve by Property Services directly. However these can be pursued by continuing effective staff management and deployment, ensuring the best productivity and efficiency outcomes through internal and external benchmarking, reducing overheads and administrative costs and maintaining/expanding the work base.
50. A particular issue that has been identified by the service is that of budget holders in other Council departments looking to make savings in cleaning budgets. Such reductions would inevitably produce implications for staffing in Property Services.
51. The service advised the panel that additional opportunities to make budget reductions could result if all Council budgets for building cleaning & caretaking were centralised under Property Services control. This could allow greater control of costs and eliminate the need for internal trading/charging arrangements, thus reducing administrative overheads. In relation to this point, the scrutiny panel was finally informed that, following discussions with the Council's Strategic Finance Function, it had been confirmed that the possible centralisation of budgets had been raised by Property Services as part of the current budget review process. However, these discussions were at a very early stage (November 2010) with no decision likely until later in the budget process.

Additional Information

52. During the course of its investigation, the scrutiny panel also considered information in relation to the following Property Services issues which arose during the scrutiny exercise:

Employment and Staff Training

53. Property Services is one of the largest employers of lower paid workers in the area. The 650 (approx.) cleaning staff who are employed work around 400,000 hours per annum. Due to the organisation's success in managing and retaining work cost effectively, the service is able to provide local people with these jobs at local authority pay and conditions - which are more attractive than private sector competitors.

54. A great emphasis is placed on staff training with Property Services having the only local authority British Institute of Cleaning Science (BICS) City and Guilds moderated training centre in the Tees Valley. To ensure high quality of training provision, the service has a small internal dedicated training team of assessors and verifiers.
55. All cleaners are trained to a basic competency based upon the BICS training policy. Property Services has also introduced a rolling programme to train all cleaners to NVQ standards. This is to provide an opportunity for cleaners to enhance their general cleaning competency with a greater knowledge and understanding of the matters underpinning their role and an appreciation of the wider purpose of the service.

Customer Satisfaction

56. The scrutiny panel was informed that data is collected from customers on a regular basis to ensure customer satisfaction and to maintain service quality. This includes:
- Building User Surveys - These are undertaken through cards left in buildings (on desks etc) and measure user satisfaction with the cleaning service. The last three years have shown a 90% to 94% level of satisfaction.
 - Annual Customer Survey - This is collated from the responses of budget holder/managers of the various buildings/areas on an annual basis. It is also used as the basis for staff awards. The survey has produced 96% to 97% levels of satisfaction over the past three years.
 - Customer Communication Scores - Property Services area cleaning supervisors make contact with building managers/customer on a monthly basis to check service consistency. This has shown a 99% to 100% satisfaction rate over the past three years.
 - Staff Surveys - Employee satisfaction surveys are undertaken to identify job satisfaction, management and training issues. This has shown a 90% to 96% staff satisfaction rate in the last three years.

CONCLUSIONS

57. Having considered the submitted information, the Environment Scrutiny Panel reached the following conclusions:
1. Property Services is a trading organisation, reliant on income generation, with rates set in competition with the private sector. The service is a major employer of lower paid local workers.
 2. The amount of internal and external work secured in competition illustrates that standards of work are high and that costs are competitive. However, services are not generally widely marketed so there may be scope to increase external work and realise additional income.
 3. The difficult financial position facing the Council represents a significant challenge. In terms of possible future arrangements concerning Property Services budgets, there is a possible tension associated with either:
 - a. Centralising budget holding within Property Services - which could provide scope to make efficiency savings and secure value for money; or:

- b. Devolving budgets to departments - with a potential for greater flexibility for the budget holder but with possible implications for the Property Services function.

The Environment Scrutiny Panel has not received sufficient information to make a judgement as to how budgets should be structured - although careful consideration will need to be given to the alternative approaches before future policy is determined.

4. The administrative process for undertaking building repairs and maintenance on behalf of Mouchel appears to be unnecessarily cumbersome and bureaucratic. The transfer of some elements of Property Services back to the Council from Mouchel presents an opportunity to make improvements to processes, provide a more responsive service and make financial savings on behalf of the authority.

RECOMMENDATIONS

58. Following the submitted evidence, and based on the conclusions above, the scrutiny panel's recommendations for consideration by the Overview and Scrutiny board and the Executive are as follows:
 1. That careful consideration is given to the future budget holding position concerning Property Services. This should include examining the advantages and disadvantages of the differing approaches; the implications of each approach for Property Services; and the implications for departmental budgets.
 2. That the services available from Property Services are advertised and marketed with a view to securing additional external work.
 3. That in view of the transfer of some Property Services functions back to Middlesbrough Council from Mouchel, and given the financial challenges facing the authority, the opportunity is taken to review and rationalise the administrative system associated with repairs and maintenance of Council buildings. This should aim to ensure cost-effectiveness and minimise bureaucracy.

ACKNOWLEDGEMENTS

59. The Panel is grateful to the following officer, who presented information during the course of this investigation:
 - T Punton - Head of Streetscene, Middlesbrough Borough Council.

BACKGROUND AND REFERENCE MATERIAL

60. The following sources were consulted or referred to in preparing this report:
 - Reports to, and minutes of, Environment Scrutiny Panel meetings held on 11 and 29 October 2010.

COUNCILLOR BOB KERR

CHAIR OF THE ENVIRONMENT SCRUTINY PANEL

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Current Procedures for completing a job through the Mouchel Procedures

Responsive Repair work from Mouchel

1. Individual building Manager / staff report problem to Mouchel Help Desk.
2. Mouchel Help Desk log this problem on TF database system.
3. Mouchel Manager decides whom to give the work to – Private Contractor/ Property Services.
4. Mouchel Manager decides a priority and codes this for the job
5. Mouchel Management creates order number (FM number).
6. Mouchel Management either default the job value to £150. or ask for a quote from Property Services.

Note: Virtually no job is at this stage is fully detailed or specified, nor is the site visited by Mouchel Management either before the work is carried out, or afterwards to check or verify it. A report would typically would state:-

“Site x heating not working, priority code P1A to be completed within 1 day”

7. Mouchel Manager contacts Property Services to book job in (8am - 4.30pm, Monday to Friday).
8. Property Services book the basic job details given by Mouchel Management on Access database system.
9. Property Services set up ‘job ticket’, which allows labour and materials to be accumulated to cost and charge for the work.
10. Priority Code assessment and further details of work required assessed by Building Works Manager who then allocates to trade staff.
11. Trade staff visits the site and assesses details of the work.

Note: If the professional assessment by the trade staff at this stage is estimated that the job could be higher than the £150 default limit then the process jumps back to stage 4.

If the work requires a quote, the trade staff would detail and professionally assess the work, including obtaining prices for materials and provide the details back to the Building Works Manager, who then with the support of the support team produces a quote / estimate back to Mouchel Management and then the process would start again from stage 3.

12. Trade staff would start to carry out the work.
13. Trade staff purchase materials as required.
14. If further work is required following investigation and the trade staff estimates the cost could rise above the default value the job would stop (a judgement is always made based on safety and urgency). The trade staff apply a test of common sense and reasonableness in terms of completing the work.
15. Trade staff contact Building Works Supervisor or Technical Assistant and requests approval from Mouchel Manager.
16. Request confirmed or declined.

17. After completing the job, the trade staff complete paperwork including labour / materials to enable charge to be made.
18. Trade staff bring completed Job Ticket into Property Services Office.
19. Technical Assistant processes individual Job Ticket for recharging purposes by allocating associated labour and materials linked to the job (from existing spreadsheets) ready to recharge Mouchel.
20. Technical Assistant updates system with completion dates
21. Technical Assistant batches all individual jobs allocated to Property Services (roughly on a monthly basis) and e-mails Mouchel this list for approval, as Mouchel require all jobs to be costed individually.

Authorising job - Mouchel

22. Mouchel Maintenance Manager are circulated this list to authorise payment.
23. If any queries – Maintenance Manager contacts Property Services for further information / details of the work carried out.
24. Mouchel authorise batch.

Recharging the work - Property Services

25. Technical Assistant initiate External Debtors invoice to Mouchel for the batch of work approved.
26. Technical Assistant updates all Property Services database systems.
27. Accounts managed and Job filed off.