

Introduction

1. The 'asset's workstream, sponsored by the Chief Executive of Surrey Heath Borough Council, is an umbrella for a number of IESE sponsored improvement activities in public assets aimed at delivering efficiencies in asset ownership, management and construction. These include the following 'sub work streams':
 - Surrey asset management and construction Cluster frameworks
 - Sub-Regional Construction Framework
 - Pilot Maintenance/FM Delivery Framework
 - Sub-Regional Consultancy Framework
 - IESE/Surrey Public Sector Estate Review
 - Shared Services – a joint venture type organisation, which could be a trading company for professional services.
2. The purpose of this paper is to briefly update the Joint Committee on progress made on the first two of these sub work streams. The last of these work streams is still embryonic and is therefore not included as an update in this paper.

Surrey Asset Management Regional Construction Framework

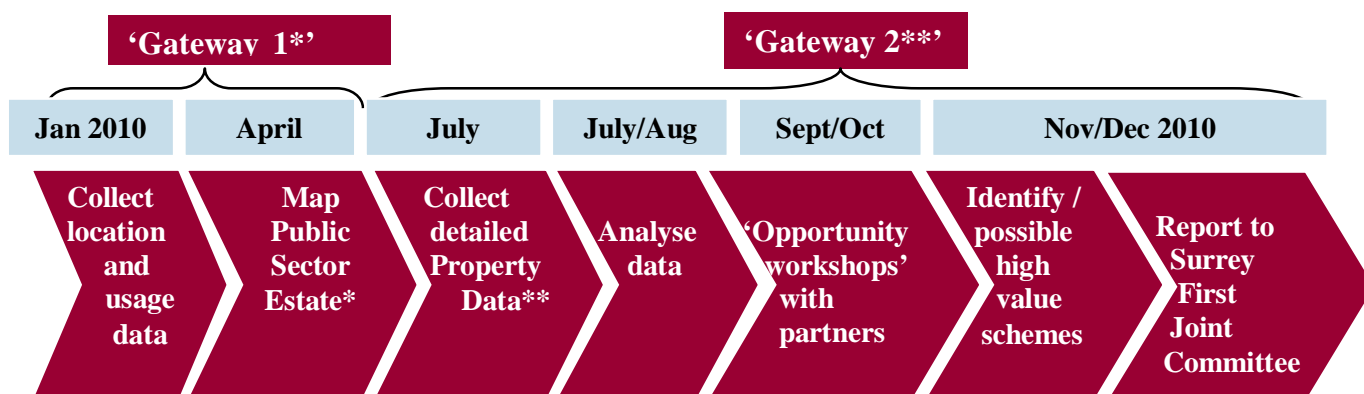
3. This work stream was initiated in June 2010 to provide a number of frameworks that all Local Authorities in Surrey could call off when procuring construction, facilities management or consultancy contracts. Business Cases for each of the frameworks have been completed and a short summary for each is given below:
4. Sub Regional Construction Framework – This framework provides for both large scale capital projects up to £3-4m and smaller scale planned maintenance projects £5k to £600k for Plant Room Works & Services, Electrical & Mechanical Installations, Roof Structure & Coverings, Windows / Doors / Curtain Walling, Lifts and Domestic Boilers and Heating Systems. The Official Journal of the European Union (OJEU) Notice will be issued after stakeholder engagement and requirements have been confirmed and the Framework is expected to be available for use in late autumn 2011. The combined spend over the 4 year framework period could be over £180m and it is anticipated to deliver significant savings compared against current procurement arrangements. Separating the delivery of the "Hard" Planned Maintenance from traditional Facilities Management arrangements is expected to deliver significant improvements.
5. Pilot Maintenance/FM Delivery Framework – This framework provides responsive and cyclical maintenance for the building asset elements consisting of:- Building Fabric, Electrical & Mechanical Installations and Lifts Installations. The OJEU Notice will be issued after Stakeholder Engagement and Requirements have been confirmed with the Framework expected to be available for use early 2012. The combined spend over the 4 year framework period could be over £100m and it is anticipated to deliver significant savings against current procurement arrangements. It is envisaged the transition from the existing FM arrangements will be completed by the beginning of the new financial year 2012/1013.

6. Sub Regional Consultancy Framework – This framework is to provide a wide range of property related service categories including Architectural Design, Structural Engineering, Mechanical and Electrical Services Design, Cost & Commercial Management, Environment & Sustainability Services, Estate Management Services, Health and Safety Services, Building Surveying Services, Planning & Building Control Services and Multi-Discipline Services. The OJEU Notice will be issued in December 2010 with the Framework Contracts being available for use late summer 2011. The combined spend over the 4 year framework period could be over £28m and again anticipated to deliver savings compared against current procurement arrangements.

IESE/ Surrey Public Sector Estates Review

7. Public Sector organisations across Surrey hold significant land and property assets to support the delivery of services to residents. The review started in January with the objectives of improving the asset management information that is shared across public sector organisations in Surrey, to analyse property performance data to calculate the efficiencies that might be possible through a collaborative approach and to begin a process in which high value projects can be identified and taken to a feasibility / business case stage. The work stream has been partly funded by IESE and is project managed by Surrey County Council.
8. Excluding smaller properties and parcels of land, the review team have mapped and collected information on just under 8000 land and property records. The cost of operating these assets is high and buildings are often old, unfit for purpose and expensive to maintain. The review has involved the 11 District or Borough Councils, Surrey County Council, Surrey Police, Surrey PCT and the Office of Government Commerce (on behalf of central government).

Approach



Headline outputs to date

9. The following outputs have been achieved to date:
 - Joint Asset Register (JAR) and GIS Map of Surrey’s 8000 Public Sector Assets produced and shared with all partners.
 - A Property Analysis Tool (PAT) has been produced. This includes a benchmarking tool and a ‘scenario analysis’ tool. This will be circulated (with the data that sits behind it) to all partners at the end of the review.
 - An analytical report was circulated to all partners that provided ‘Gateway 2’ data identifying where there may be opportunities to make the greatest savings from their assets.

- A series of ‘opportunity workshops’ will have been completed by 11th November. These exploratory meetings have identified opportunities for partner organisations to consider taking forward to a business case stage. In practice these discussions involved a mix of ‘new’ scenarios and a restatement of those already being delivered or in the pipeline.
- Where possible, these scenarios will have been analysed through the Property Analysis Tool as a ‘pre-feasibility exercise’ to understand which, from a financial point of view, might be worth taking to a feasibility stage.

Headline findings to date

10. As part of this review, Public sector organisations in Surrey submitted detailed performance related information on their operational assets. Utilisation and cost data relating to 647,250 m² of floor space GIA (gross internal area) was captured. Of these properties 78% are freehold (321) and 15% are leasehold (61). 7% (29) had no confirmed tenure.
11. Property costs public organisations a significant amount. The estimated collective cost of operating property portfolios across the 12 Local Authorities in Surrey is £58m per annum¹. This figure would be a lot higher if you included other public sector organisations such as the health trusts, Surrey Police or central government.
12. If Surrey’s administrative offices were performing to the industry standard of 1.33 staff per desk and 10.5m² Net Internal Area per desk (12 m² for civic offices) then there would be a theoretical potential to save up to 23% or 31,597 m² net internal area (NIA) of office space.²
13. If all of Surrey’s operational properties were refurbished, maintained and operated to the industry standards, historic under spend on maintenance was addressed AND the space savings identified above were achieved there would be a potential to save up to 31% of the total declared revenue spend per annum on offices and 13% on the remaining estate . This is a theoretical exercise and these savings assume that organisations would have the capital required to bring the entire estate up to the industry standard. This is highly unlikely, and even if it were possible, is not necessarily even desirable. Nevertheless these estimations start to ‘size the prize’ of efficiency savings available through greater asset management.

‘Opportunity Workshops’

14. By the 11th November all, ‘opportunities workshops’ will have been completed at a District and Borough level.
15. Each workshop has generated a number of property related opportunities that have been collated by the review team. They comprise a mixture of existing and new schemes as well as a mixture of commercial redevelopments, rationalisation or community hub projects around the County. The workshops were exploratory in nature and the opportunities discussed were done so at a senior management level including Borough/District Chief Executives. The review team are currently working to run these opportunities through the Property Analysis Tool where the data is available. As a ‘pre-feasibility’ exercise this starts to identify those schemes that from a revenue and capital point of view could be viable. (The tool is best used for understanding the viability of community hub/ rationalisation projects - commercial redevelopment schemes have generally not been analysed using the tool because in almost all cases there is a reliance on commercial investment which is unknown).

¹ Source: Surrey First data collection exercise February 2010. Definition: includes all running costs for office buildings (rent, rates, utilities, security, maintenance, cleaning etc... did not include building management staff.

² This only applies to the properties that were returned as part of Gateway 2. Therefore the potential savings to the public sector will be higher.

16. Part of the agenda for these workshops looked at some of the draft principles that have underpinned the review:
 - There will be fewer public sector properties in Surrey in the future
 - Organisations will collocate more in the future as a step to better service integration for the benefit of the community
 - Place based budgeting – public sector properties will be available to all public sector organisations. Space will be charged at a cost that is fair, proportionate and transparent.
17. There has been a high level of agreement for the principles in all of the workshops to date. The last principle was the one that generated the most discussion. Whilst organisations agreed with the principle, it was noted that there are some significant barriers to the realisation of this principle. (current reliance on property for a revenue stream, potential uneven distribution of benefits, and payment of market rent). Finding a resolution to this will be important to the achievement of major long term cost reduction and service improvement for the benefit of Surrey residents and tax payers.

Interim Report

18. The review team will produce a summary report of work completed on the review to date by end of November / early December. This will cover the following topics:
19. Data Analysis
 - Number and function of public sector properties and breakdown by organisation
 - Utilisation
 - Evaluation of Operational and Maintenance costs
 - 'Size of the prize' calculations - potential revenue savings from property (using various scenarios, assumptions and / or extrapolations)
20. Summary of Opportunity Workshops
 - Organisational direction of travel - Surrey Police Estates Strategy, emerging SCC strategy, B and D approaches
 - Summary of 'first pass' scenarios discussed in opportunity workshops
 - Summary of 'first pass' results of Scenario Analysis Tool
21. Ongoing Data Management
 - Ongoing management of the Joint Asset Register – frequency, process and data sharing agreement
 - Expansion of scope – to capture detailed performance information from PCT, Central Government, Reigate and Banstead Borough Council. Could also look at neighbouring authorities.
 - Property Analysis Tool Update process and ongoing use with Mace
22. Next Steps
 - Outline Project Plan (to annex)
 - Surrey CEXs – principles and criteria
 - Member engagement
 - Service needs assessments
 - Success Criteria

- Initial Options Appraisals
- Feasibility Studies
- Financial / non- Financial Appraisal
- Project Initiation and Business Case Development
- Resources and Governance