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An inquiry report of the:  
**Policy Review & Performance Scrutiny Committee**

**Managing the Estate under a  
Corporate Landlord Model**

**May 2018**



**Cardiff Council**

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## CONTENTS

CONTENTS .....	2
CHAIR'S FOREWORD.....	3
TERMS OF REFERENCE .....	5
KEY FINDINGS .....	6
RECOMMENDATIONS .....	12
CONTEXT .....	14
KEY EVIDENCE .....	16
INQUIRY METHODOLOGY .....	33
BIBLIOGRAPHY .....	35
LEGAL IMPLICATIONS .....	36
POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE.....	37
PRAP TERMS OF REFERENCE .....	38
APPENDIX 1: .....	1
APPENDIX 2: .....	8



## CHAIR'S FOREWORD

The Council is implementing a Corporate Landlord model in order to bring efficiency to the way it manages its estate, much of which is old, under-used, in need of maintenance and a drain on resources.

The phrase, "Corporate Landlord", is now common in many of the internal discussions within the Council. Understanding of what the phrase means and what the model's implications are is, however, less common.

There is a risk that the move to the Corporate Landlord model will fail if the Council, in its entirety, does not have an agreed and shared understanding of the model's role and operation.

At the outset of our inquiry, therefore, it was crucial for this Task Group to establish a clear understanding of what is meant by the term 'Corporate Landlord'. The clearest definition we found was contained within a Welsh Government report on the Cwm Taf Pilot Study, a regional asset management project based on collaboration between the PSB members:

*"The Corporate Landlord model centralises all estate related budgets, decision making and activities within a central team – the Corporate Landlord. Service departments become tenants of the Corporate Landlord. The service department has to make a case for the property that they wish to deliver a service from, which allows for the Corporate Landlord to offer sufficient space – and no more space than is required – for these functions."*

The expert witnesses who gave evidence to the Task Group all endorsed this definition contained in the Welsh Government report and a recurring theme emerged during conversations with them. If we want to run the Council's non-residential estate successfully from the centre, under a Corporate Landlord model, then there must be complete corporate acceptance of this principle from all service directorates at the outset. This will require strong political and corporate leadership to drive the implementation of the model and explain the benefits of managing the estate in this way.

When considering something as intrinsic as the asset management strategy for a large corporate estate, a vast number of recommendations could soon be reached. This risked diluting what the Task Group felt are key messages. For this reason, as Chair of the Task Group, I wanted our recommendations to be concise. They are based around three broad themes which are: **securing corporate buy-in for the model, policies and processes connected to implementation and benefits of successful implementation of the model.**

I would like to thank my fellow task group Members, Councillor Norma Mackie and Councillor Rod McKerlich, for their hard work and willingness to think creatively to assess and find solutions. Unfortunately, due to serious illness Councillor Jim Murphy was unable to attend our meetings but we are delighted to see he is now in better health and offer our best hopes for a continued recovery. Special thanks are also due to our Principal Scrutiny Support Officer, Mark Jacques, who ensured we had access to timely, relevant and quality information to enable us to successfully undertake our Inquiry.

How the Task Group decided on the themes above and reached the resulting recommendations are contained within this report.



**Councillor Joe Boyle**  
**Task Group Chair**

## TERMS OF REFERENCE

1. At its meeting on the 20<sup>th</sup> September 2017 as part of its 2017/18 work programme the Policy Review & Performance Scrutiny Committee agreed the terms of reference for an inquiry into the Council's approach to managing the estate under a Corporate Landlord model. The Terms of Reference were agreed as follows:

To examine Cardiff Council's proposal to adopt a Corporate Landlord model and ascertain the benefits for residents, community groups, and the organisation by:

- Establishing the reasons for introducing the model
- Identifying the scale of benefits for community organisations in terms of access to facilities
- Identifying the scale of benefits for the Council in terms of capital and revenue budgets
- To identify the key challenges overcome by other Local Authorities who have adopted the Corporate Landlord model

2. The outputs/outcomes from this investigation were to be:

- To produce a report that: uses the evidence gathered to make recommendations to the Cabinet for managing the estate under a Corporate Landlord model.

3. The Committee agreed that the Membership of the task & finish group would comprise:

Councillor Joe Boyle (Chair)

Councillor Norma Mackie

Councillor Rod McKerlich

Councillor Jim Murphy

## KEY FINDINGS

The evidence presented to this inquiry falls into three high level themes: the importance of **securing corporate buy-in for the model**; the **policies and processes** that form a firm foundation for implementing the model; and the **benefits of successful implementation** of the model. Each key finding agreed by the Task Group is illustrated with a supporting example from the evidence received. Further evidence can be found in the Key Evidence section later in the report.

### Securing corporate buy-in for the model

KF1. It is essential to secure Corporate “buy-in” to the key principle that all Corporate Assets should be managed centrally.

*“There has to be total “buy-in” to the process from all service areas as a partial Corporate Landlord Model won’t work.”* **Josh Dunn (People Too)**

*“The Corporate Landlord model centralises all estate related budgets, decision making and activities within a central team – the Corporate Landlord. Service departments become tenants of the Corporate Landlord. The service department has to make a case for the property that they wish to deliver a service from, which allows for the Corporate Landlord to offer sufficient space – and no more space than is required – for these functions.”* **Welsh Government Report. A Regional Approach to Collaboration: Cwm Taf Pilot Study – Final Report.**

KF2. It is essential that all senior managers and decision-makers lead the cultural shift to a model whereby the Council’s whole estate is centrally managed.

*“Ensure senior decision makers within an organisation support the process and the team that are set to deliver it. I have no insight as to how the Council currently operate but taking control of assets into the centre will meet barriers. An unequivocal statement of intent from the top will support that drive for change.”* **Richard Baker, Head of Estates & Professional Services at the Welsh Government.**

KF3. Political ownership of Corporate Asset Management should sit within a single cabinet portfolio.

*“An unequivocal statement of intent from the top will support that drive for change.”* **Richard Baker, Head of Estates & Professional Services at the Welsh Government.**

### **Policies and Processes connected to implementation**

KF4. There is some senior management confusion about how the Corporate Landlord model will work, and how its introduction will impact on individual service areas.

Members heard from the Director of Education and Lifelong Learning that currently there is a poor understanding of management responsibilities and that greater clarity of roles is required in terms of the maintenance of the Corporate Estate. The Director raised concerns about the role of the Education Department as a commissioner of work? And what is the role of Facilities Management? He illustrated this by giving the example of contractors arriving at a school unannounced to undertake work at inconvenient times. **Meeting 3**

The Director of Education and Lifelong Learning advised Members it was his understanding that the Corporate Landlord Model is a set of principles and relationships across the whole Council, rather than the responsibility of an individual department. **Meeting 3**

KF5. The management of property budgets and opportunities for savings from effective running of the corporate estate should be identified through a business case approach to determine whether an asset should be retained, remodelled or released.

*“The principal point to establish and make abundantly clear is the council is the legal owner of its assets and therefore all assets are vested in the corporate body. This means the control of budgets has to be aligned to this approach. This can be dealt with incrementally but most simply as a single issue. Establishing an effective and healthy relationship between the centre and services is an ongoing process that must be maintained. Corporate and member buy in is important and the opportunities for savings can be identified through*

*a business case approach.*” **Tony Bamford, Interim Head of Asset Management, Bristol City Council.**

KF6. Maintenance backlog issues can arise in the absence of an ongoing management programme of preventative maintenance of assets.

The Services Manager at People Too gave an example of the importance of preventative maintenance. In 2008 Bridgend Council decided not to replace tiles on the roof of a pavilion at a cost of £500 but eventually had pay £25,000 when the building needed a new roof.

### **Meeting 2**

*“There will be challenges not least from upfront costs so organisations need to be prepared to invest to eventually see a return. Have a budget set aside or risk the process not being delivered. However, improvements depend very much on where the organisation starts from (what is the current model) it will be important to establish and clearly manage expectations.”* **Richard Baker, Head of Estates & Professional Services at the Welsh Government.**

Cardiff Council had received warnings from Constructing Excellence in Wales about the way the Schools Estate in Cardiff was maintained. **Meeting 3**

KF7. It is important there are clear and robust Service Level Agreements / Landlord – Occupancy Agreements. This is especially the case in schools, where the element of delegated budgets can create confusion about precisely who is responsible for maintaining the estate.

People Too business consultancy outlined the importance of having a standard mandatory agreement that made roles and responsibilities clear for all parties. The Services Manager explained that in Bridgend three options were available in terms of maintenance under the Landlord and Occupancy Agreements. These ranged from just offering advice on maintenance issues to an all-inclusive package that proved attractive to service areas because the annual fee was a reduction on what they currently paid. This reduction was the



result of better ways of working under a centralised approach to managing the estate.

## **Meeting 2**

The Cabinet Member for Education, Employment & Skills told the inquiry that as part of the process to assess maintenance priorities a matrix scoring system had been developed for school buildings. There are four categories used to define the condition of these buildings.

These are:

- A. Performing as intended and operating efficiently;
- B. Performing as intended but exhibiting minor deterioration;
- C. Exhibiting major defects and not operating as intended;
- D. Life expired and risk of imminent failure

## **Meeting 3**

KF8. Comprehensive data is fundamental to a successful Corporate Landlord Model. Sophisticated gathering and analysis of information such as financial data, condition survey results and the outcomes generated by KPIs will improve the quality of decision-making.

Data ownership and management was identified as a key role and function under the heading Strategic Asset Management and Investment, during a presentation given by the “People Too” business consultancy. **Meeting 2**

Data is a key asset and must be developed, maintained and managed as such. It must be reliable and useable for regular, consistent and trustworthy reporting in which services and members can build confidence. In the long term this will allow the Council to improve performance. **Meeting 2**

*“Take a Wales wide view to management of our portfolios, understanding the whole-life costs of properties and where possible setting performance requirements for the operational and investment portfolios.”* **One of the guiding principles in the Welsh Government’s Corporate Asset Management Strategy 2016 – 2021**

KF9. A Corporate Landlord model requires a clear staffing structure and lines of communication to ensure clarity of the decision making process.

The business consultancy “People Too” advocated a structure of three divisions under the Assistant Director (Corporate Landlord) position. These were:

- i. Total Facilities Management
- ii. Strategic Asset Management and Investment
- iii. Capital Projects

A Compliance/ Health & Safety Unit was positioned alongside the Assistant Director (Corporate Landlord). Total Facilities Management would cover such areas as reactive and planned maintenance and cleaning, Strategic Asset Management and Investment areas such as asset ownership and data management and Capital Projects would be responsible for functions like technical design and expertise procurement. **“People Too” presentation (Meeting 2).**

#### **Benefits of successful implementation of the model**

KF10. Some service departments are not getting good value for money when purchasing regularly used materials, because of a lack of Council-wide consistency in engaging with the procurement process.

*“Building Services Materials Framework Summary.” The majority of purchases made by Building Services from the supplier Travis Perkins were ‘off contract’. So outside the framework agreement made between the Commercial and Procurement team and Travis Perkins. **Written submission from ‘People Too’***

KF11. The principle of co-locating with other public service partners is a good one and should be factored into future decisions about the Corporate Estate.

This principle was identified as an example of best-practice in the **Welsh Government Report. A Regional Approach to Collaboration: Cwm Taf Pilot Study – Final Report.**

*“I am the lead WG official with responsibility for the NAWG (National Assets Working Group) and the principal role of the Group is to enable and influence collaborative asset management across public sector organisations to release efficiency savings, developing*

*tools to enable and readily facilitate this collaboration to take place. As the public sector estate is estimated at around £12bn (WAO) the opportunities to be realised are significant.”*

*“The ongoing challenging financial climate for public services in Wales, as a result of the UK Government’s policy of austerity, means we must innovate and work together and smarter to deliver excellent public services for people in Wales. It is essential that public services work collaboratively to tackle pressures and achieve value for money from all available resources.”* **Richard Baker, Head of Estates & Professional Services at the Welsh Government.**

DRAFT

## RECOMMENDATIONS

The Committee has identified areas that merit consideration in taking review activity to the next level, and particularly wish to draw the Cabinet's attention to the following recommendations. Each recommendation is supported by the associated key finding listed earlier in this report.

### The Task Group recommends that:

R1. Cabinet agrees, within three months of the Assistant Director (Corporate Landlord) taking up post, a clear statement of its vision for the Corporate Landlord model in order to counter contradictory interpretations. The statement, based on ensuring that there is complete corporate "buy-in" for the model if it is to be successful, should be a key component of future Corporate Land and Asset Management Plans and must give an unambiguous message that the Corporate Landlord model is fundamental to the future operation of the Council. **(KF1 & KF2)**

R2. The Council Leader must ensure that political responsibility for the Corporate Landlord sits within a single Cabinet portfolio. There can be no "partial" Corporate Landlord. **(KF3)**

R3. Cabinet tasks the new Assistant Director (Corporate Landlord) with creating a centralised Corporate Landlord management structure, to ensure that central management of all corporate assets is in the hands of property experts. **(KF2, KF5 & KF9)**

R4. A Corporate Landlord executive summary is produced annually as part of the budget setting process in order to identify the resources available to meet the asset maintenance backlog. The executive summary should include:

- Value of the current maintenance backlog
- Prioritised list of asset maintenance projects
- Investment estate market value
- Current revenue generated from the investment estate

- Capital receipt targets
- The allocation areas for increased revenue

**(KF5)**

R5. The Chief Executive should review and refresh as required the roles and responsibilities of the senior management team to reflect the centralised management of assets under a Corporate Landlord Model. **(KF4)**

R6. A preventative maintenance programme must be in place for all Council assets. Cabinet should ensure that:

- Proposals for new buildings factor in preventative maintenance at the planning stage
- A preventative maintenance programme is in place for retained assets **(KF4 & KF6)**

R7. Cabinet should ensure that, during the first 12 months following the appointment of the Assistant Director (Corporate Landlord), Landlord and Occupancy Agreements are put in place for all Council properties and the terms agreed by relevant parties. For schools, in particular, agreements must make explicit where responsibility lies for the management and maintenance of school buildings. The implications of the Corporate Landlord model for school budgets must be made clear by the start of the 2019/20 school financial year. **(KF7)**

## CONTEXT

4. Cardiff Council is the largest property owner in Cardiff with over 500 properties retained for operational use, and a further 500 properties retained as investment assets.

5. The cost of managing and operating the Council's estate is the second largest call on the Council's budget (circa £60M per annum), after staff costs. This has become an increasingly important issue as the shape of the organisation has changed to reflect unprecedented financial pressures, and changing and growing customer demands.

6. The Council's five year property strategy to transform the Council's estate, known as *Fewer But Better Buildings*, aims to reduce the size and cost of the operation, as well as modernising the estate to ensure all of the Council's operational buildings are safe, fit for purpose, and are positive environments for staff and customers.

7. In the Wales Audit Office (WAO) Corporate Assessment published in May 2014 the WAO did not consider that the Council was managing its land and property assets well. They considered progress had stalled in 2013 with no clear strategy for realising the aspirations of the 2012/13 Corporate Asset Management Plan. They further observed that the range of property information systems was not sufficiently joined up, and an absence of easily accessible and accurate information on property inhibited corporate oversight of property performance.

8. The overall quality of the Council's estate is deteriorating, with over 50% considered to be in a 'poor' condition, leading to ever increasing maintenance costs and a growing maintenance backlog which is now in excess of £100M. This situation was brought to the fore in early 2017 when the situation in some of Cardiff's schools caused negative coverage in the local media. Cardiff has an Education estate of over 127 school properties and a maintenance backlog of approximately £68M according to *The Future Development of the Education Estate in Cardiff* report which went to Cabinet in October 2017.

9. In early 2017 the Council implemented a new 'Corporate Landlord' programme to improve the strategic management of the estate. In 2016-17, this new approach delivered:

- 7.9% reduction in Gross Internal Area (617,593 sq. ft.);
- 9.2% reduction in running costs (£3.3m);
- £8.8m reduction in maintenance backlog;
- £6m in capital receipts.

10. A clear definition of what constitutes a Corporate Landlord is contained within a Welsh Government report on the Cwm Taf Pilot Study, a regional asset management project based on collaboration between the PSB members. The definition is:

*“The Corporate Landlord model centralises all estate related budgets, decision making and activities within a central team – the Corporate Landlord. Service departments become tenants of the Corporate Landlord. The service department has to make a case for the property that they wish to deliver a service from, which allows for the Corporate Landlord to offer sufficient space – and no more space than is required – for these functions.”*

11. The targets set out in the Corporate Land & Property Management Plan 2018/19 relate to strategic management of the estate and include reducing the maintenance backlog (circa £100M), reducing running costs and generating capital receipts.

12. A target of £40million raised over the next 5 years from a land and property disposal programme has been set. However, the first £25million will fund the Council’s contribution to the Band B Schools Organisational Change Programme.

13. As part of discussions around issues for consideration in the Policy Review & Performance Scrutiny Committee’s work programme, Members wished to review the running of the Council’s Operational Estate. In particular, Members enquired as to the sufficiency of resources allocated to deal with the priority of taking steps to address the historic maintenance backlog in school buildings, given that currently £2m per annum is programmed to deal with potentially £4.5m pa of maintenance required.

## KEY EVIDENCE

14. Members of the task group considered the views of internal and external asset management experts to identify best practice. The evidence gathered is categorised under 3 principal themes:

- (i) Securing corporate buy-in for the model
- (ii) Policies and Processes connected to implementation
- (iii) Benefits of successful implementation of the model

### Securing corporate buy-in for the model

15. Members were advised by business consultants “People Too” that there had to be total “buy-in” to the process from all service areas as a partial Corporate Landlord Model won’t work.

16. According to the interim Head of Asset Management at Bristol City Council, the principal point to establish and make abundantly clear is that the council is the legal owner of its assets and therefore all assets are vested in the corporate body. This means the control of budgets has to be aligned to this approach.

17. Members were told that corporate and Member “buy-in” is important and that the opportunities for savings can be identified through a business case approach.

18. The interim Head of Asset Management at Bristol City Council outlined the importance of communicating where a Corporate Landlord approach fits into the bigger picture in terms of working within an austerity model.

19. It was emphasised to Members that if service areas experience something that works well they are more likely to go down that route again. This is why it is important for the benefits of the Corporate Landlord model to be filtered down to the service areas.



20. The Task Group were informed that corporate buy in was essential to avoid difficult outcomes. Specific changes are needed at both asset and management level. In Bristol there was a £2 billion estate with a housing stock of 27,000. Different ways of reducing older stock were discussed and it was pointed out that sophisticated approaches were needed to achieve effective buy in. Members were told that forcing change on service areas would only lead to a push-back against a Corporate Landlord model.

21. The Head of Estates and Professional Services at the Welsh Government advised Members in writing that: “My first piece of advice (at the outset) is to ensure senior decision makers within an organisation support the process and the team that are set to deliver it. I have no insight as to how the Council currently operate but taking control of assets into the centre will meet barriers. An unequivocal statement of intent from the top will support that drive for change.”

22. He also wrote that: “Depending on the starting point, this journey will be a cultural shift, buy-in (and full support) from the very top is essential. However, there will always be some who feel that relinquishing control of the asset will disadvantage them. Some things to remember, it’s not their asset and it’s not free, plus it’s not a policy aimed just at them, it is estate wide. Also day to day building management from the centre releases them to deliver policy priorities for their division.”

23. The Head of Estates and Professional Services at the Welsh Government said that a mandate was needed from the Council saying that this is now our approach but in order to ensure corporate buy-in the benefits needed to be clearly demonstrated.

24. The Cabinet Member for Investment and Development told the Task Group that his opinion was that if a directorate wanted a residual responsibility for assets, they should have all the responsibility. If directorates attempted to retain control of their assets, avoiding central management of the entire estate, the Corporate Landlord model would fail.

## **Policies and Processes connected to implementation**

25. The investment estate has a current asset value of £90M and the maintenance backlog on the operational estate is £100M.

26. Members heard that the projected life-time of new school buildings is 25 years before contractual obligations cease.

27. The “Property Strategy 2015 – 2020” has five work-streams:

- Improved Governance
- Review of Resourcing
- Roles & Responsibilities
- Health & Safety compliance
- Improved intelligence & data management

28. The Director of Economic Development advised that resourcing of the strategy was outlined as follows:

- New Assistant Director post in Senior Management restructure
- New corporate Health & Safety manager and team
- New ‘Corporate Landlord’ structure covering Facilities Management), Projects, Design & Development, Strategic Estates, Schools Delivery, Contract Management (all are areas of Council property activity)
- Review of schools delivery arrangements
- Proposed increased capital allocation for asset renewal
- School Organisational Programme Band B – 21<sup>st</sup> Century Schools

29. The Task Group was told that in terms of roles and responsibilities new Landlord and Occupancy Agreements will be drawn-up. These are based on a new Responsibilities Handbook for services and a refreshed version of the current handbook for schools.

30. It was outlined that the intelligence and data actions are:

- Programme of prioritised building surveys

- *100 to be completed before Christmas 2017*
- *400 funded in total*
- Programme of land surveys and valuations
- Programme of Health & Safety Audits
  - *Schools completed by half-term*
  - *Rest of the estate underway*
- Full implementation of RAMIS & RAMIS for Schools. (RAMIS is a database to house premises' compliance information)

31. Members of the Task Group observed that a potential consequence of the Council managing its estate more effectively is that issues could be uncovered which it can't afford to address.

32. According to the "People Too" business consultancy the case for change is outlined as:

- Lack of accountability and control
- Compliance
- Backlog of maintenance
- Duplication of effort
- Multiple views of the truth
- Poor value for money
- Lack of integration
- No single strategy
- Lack of customer focus
- PRP (Procurement Route Planner) arrangements are not working

33. A suggested functional structure for the Corporate Landlord proposed by "People Too" advocated three divisions under the Assistant Director (Corporate Landlord) position. These were:

- Total Facilities Management
- Strategic Asset Management and Investment
- Capital Projects

A Compliance/ Health & Safety Unit was positioned alongside the Assistant Director (Corporate Landlord). Total Facilities Management would cover such areas as reactive and planned maintenance and cleaning, Strategic Asset Management and Investment areas such as asset ownership and data management and Capital Projects would be responsible for functions like technical design and expertise procurement.

34. Business consultants “People Too” advised that the Council shouldn’t just focus on capital receipts in terms of gaining an initial increase in revenue. They claim that it would be a wise investment move to retain a stake in any future development. For example, retaining land for small retail businesses within a new housing development would allow the Council to sell prime estate but also capitalise on future potential by collecting rent from shops.

35. The importance of having a standard mandatory agreement that made roles and responsibilities clear for all parties was outlined by the Services Manager at “People Too”.

36. The Director of Education and Lifelong Learning explained to Members that the predominant issues raised by head-teachers were based around cost and communication. On comparison, many schools found that they could have commissioned maintenance work more cost effectively outside of the current Council structure. Schools also expressed frustration at spending hours on the phone chasing-up repair work which had been scheduled but not delivered.

37. The Director of Education and Lifelong Learning also outlined six areas that he thought needed addressing:

- i. Awareness of building maintenance and Health & Safety issues. How traditionally there was no culture of an appreciation of this area within the Council in terms of awareness, understanding and attitudes.
- ii. Clarity of role. There is confusion and a system failure around roles when it comes to estate maintenance. Questions need addressing, such as what is the role of the Education Department as a commissioner of work? What is the role of Facilities Management? Currently there is a poor understanding of responsibilities and management and, as a result, contractors sometimes turn up at school unannounced and carry out work at inconvenient times.

- iii. Inadequate practices. In areas such as Health & Safety policy and practice had got weaker.
- iv. Budget allocation. Traditionally the Council had not been correctly budgeting for the amount of money needed to maintain an ageing estate.
- v. Value for money in terms of contract management and delivery. Schools weren't getting value for money within the current maintenance service provided by the Council because of inflated prices and contractors having too much control in terms of naming the price for work carried out.
- vi. Communication. There was poor communications in terms of where schools sit in the maintenance structure and what are the roles and responsibilities of all parties. Head-teachers were exasperated with trying to get an answer to maintenance enquiries and sometimes they were receiving unprofessional treatment from contractors. Who is the client – schools or the Council? There is a poor understanding of this concept.

38. Members heard that the Council had received warnings from Constructing Excellence in Wales about the way the schools estate in Cardiff was maintained.

39. The Director of Education and Lifelong Learning gave his view on the progress made in the six areas identified:

- i. Awareness in relation to Health & Safety issues. It was noted that there is now better awareness of the challenges faced in this area. Nick Batchelar welcomed the appointment of Donna Jones in the senior role of Health & Safety manager for Cardiff Council.
- ii. Clarity of role. The Director said that all the ingredients needed are now in place but there still isn't a clear understanding yet of how schools fit into the structure. Internally, within Education the Director has put in place a tougher regime in terms of the Asset Management Group. But a more robust database for the pricing of jobs is still needed. The Director told the inquiry that there's a complexity in terms of who is actually the customer which needs to be recognised. Sometimes schools are the recipient/ beneficiary of work carried out on their behalf but at other times they commission work themselves which is paid for out of their own budgets. The Director said that there was still weak contract management which needed to be much sharper. Some progress had

been made but more speed is now required in the area of roles and responsibilities for schools and the Council.

- iii. Practices. In terms of Health & Safety the situation was much better now that a senior post had been established. The manager has a good understanding of how to work effectively with schools. The Director outlined how part of the Education budget had been moved to the Health & Safety manager in order to deal with associated issues. The Director thought that RAMIS (Risk Assessment Management Information System) for schools was a good tool.
- iv. Budget Allocation. The Director said that more resources for asset renewal are needed. Band B funding under the 21<sup>st</sup> Century Schools programme will impact upon a comparatively small number of schools.
- v. Value for Money. The Director believed there was no change in this area especially with regard to contract management and that the Council needs to move more swiftly.
- vi. Communication. The Director believed that stronger leadership is needed in this area. Various questions require answers. Who is the customer? Whose money is paying for the work? How can we make this work? In terms of management the Director highlighted an example of a complaint received because of unprofessional interaction between a maintenance worker and a head-teacher. He said that this sort of inappropriate behaviour is an example of how work practices are not being managed properly.

40. It was explained to Members that the maintenance backlog for the Education Estate is approximately £34M (an actual figure of £68M halved due to the 50:50 funding ratio with Band B of the 21<sup>ST</sup> Century Schools investment programme). Approximately £17m, or 14%, of maintenance and condition issues of the estate have been addressed through Band A of the 21st Century Schools programme.

41. The Cabinet Member for Education, Employment & Skills told the inquiry that as part of the process to assess maintenance priorities a matrix scoring system had been developed for school buildings. There are four categories used to define the condition of these buildings. These are:

- E. Performing as intended and operating efficiently;
- F. Performing as intended but exhibiting minor deterioration;

G. Exhibiting major defects and not operating as intended;

H. Life expired and risk of imminent failure

42. As part of the matrix scoring system ratings were given based on the following issues:

- Sufficiency of places available
- Condition of the school buildings
- Suitability of the environment for teaching

43. The Director of Education and Lifelong Learning told Members that his understanding was that the Corporate Landlord Model is a set of principles and relationships across the whole Authority and shouldn't be seen as the responsibility of one single person or an individual department.

44. The Director of Education agreed that a more sophisticated understanding of what is meant by Corporate Landlord is needed. But just as no one single person is the Local Authority; there shouldn't be a single point of contact in terms of the Corporate Landlord model.

45. Members were advised that current spend on school asset renewal has been circa £3m per annum. This resource is allocated on a priority basis and is predominantly limited to keeping properties safe and watertight.

46. The Director of Education and Lifelong Learning explained that the Constructing Wales Excellence Report had not been acted upon, but as a result the reputational damage to the Council caused by negative press articles in early 2017 had actually brought people together in terms of their resolve to improve the situation.

47. According to the interim Head of Asset Management at Bristol City Council, the correct Corporate Landlord process is more an evolution than a "big bang" with the idea being to achieve quantities of scale and savings. It should also allow organisations to work with partners in a more coherent manner. It is then expected to make best practice property and area review tools more robust in challenging service area use of assets.

48. The Task Group was advised that Service Asset Management Planning is important and should cover areas such as using assets in a corporate sense and also emphasise community initiatives and legal responsibilities.

49. The Strategic Estates Manager advised that her strategy for the maintenance programme centres around three decisions: retain, remodel and release.

50. In terms of definite pitfalls to avoid the interim Head of Asset Management at Bristol City Council thought it was important not to create too many different levels of staff with responsibility for asset management budgets. All jobs created should contribute to definite outcomes.

51. The Head of Estates and Professional Services at the Welsh Government advised Members in writing to: "Get as much help and support from those who have already gone down this route as possible. I recommend engagement with CIPFA (The Chartered Institute of Public Finance and Accountancy) who have successfully run a number of training and information events on the topic."

52. He also wrote that: "There will be challenges, not least from upfront costs so organisations need to be prepared to invest to eventually see a return. Have a budget set aside or risk the process not being delivered. However, improvements depend very much on where the organisation starts from (what is the current model) it will be important to establish and clearly manage expectations."

53. The Strategic Estates Manager advised that the problem was that various departments didn't have their information in one place. Cardiff Council was more than likely going to use the provider Technology Forge to create its IT database.

54. Head of Estates and Professional Services at the Welsh Government thought that in terms of asset management the mood should definitely be moving away from just keeping things going, to asking is it worth keeping them going!



55. He also agreed that clarity was needed on the roles and responsibilities of the Corporate Landlord and individual service areas.

56. The Head of Estates and Professional Services at the Welsh Government said that prioritising maintenance work is important. That it must be structured in such a way that clear plans are identified. He outlined the Location Strategy plans for the office estate that have been implemented by the Welsh Government since 2003. A broader Corporate Asset Management Strategy covering 2016 to 2021 has been introduced for the first time, which seeks to apply consistency in management approach across all land and property assets owned by the Welsh Government.

57. The Director of Economic Development advised that there was a programme of work which was ongoing but that the model wouldn't be operational until after the appointment of the Assistant Director (Corporate Landlord). He emphasised that the important work for carrying out full property surveys was ongoing.

58. The Cabinet Member for Investment and Development advised that there was a commitment to manage the estate in a better way which would reduce the maintenance backlog. But he said he was yet to be persuaded that the Council was on track to achieve this aim under a Corporate Landlord approach. A draft report was being prepared in which he would highlight that this approach was the only way to get on top of the challenges faced by areas of the Council. He also pointed out that not every directorate fully embraced this way of running the estate.

59. The Cabinet Member for Investment and Development pointed out that the maintenance on the Council's three main buildings (County Hall, City Hall and Willcox House) was significant and substantial. Overall property related spend cost the Authority £60M per annum and therefore a significant amount of rationalisation was required.

60. The Cabinet Member for Investment and Development advised the Task Group that it was clearly stated in the Capital Programme that the Council had a target of £40million to be raised over the next 5 years from a land and property disposal programme. However, the first £25million will fund the Council's contribution to the Band B Schools Organisational

Change Programme. Cllr Goodway explained that this was necessary to ensure match-funding from the Welsh Government.

61. The Director of Economic Development raised the issue of the maintenance backlog which initially was estimated at £100M but in reality was closer to £150M. The Director highlighted some of the work being done such as detailed surveys of buildings and better IT systems. He also stressed the amount of maintenance work required at the Council's three main buildings.

62. The Assistant Director, Commercial & Collaboration told the group that the Council is already operating a Governance structure, but will need modification. Other teams around delivery are not fully structured yet. A delivery model is planned for Cabinet in May.

63. Members heard from the Assistant Director, Commercial & Collaboration that there are legal issues with centralising Council assets, especially with the Education Estate, but these are being addressed. The Council will remain liable for all assets in terms of Corporate Responsibility.

64. The Cabinet Member for Investment and Development raised the issue of compensation for residential use in areas where assets have been sold as part of a rationalisation programme. It was explained that not all money raised goes into the £40M target pot. He observed that ultimately this issue would need addressing at Leader and Chief Executive Level.

65. The Assistant Director, Commercial & Collaboration advised the group of the five principal areas where progress was being made:

- Implementation of the Corporate Landlord People and Change project;
- Strengthening of Health and Safety compliance;
- Procurement of the 2nd generation of Non Domestic Building Maintenance Framework contracts;
- Design, procurement and implementation of Corporate Landlord Systems Architecture.
- Corporate Landlord Asset Management Principles.

The Assistant Director told the meeting that a new model for improving customer care was in place and that schools liaison was a part of this team. A new Health & Safety team was now in place and covering 120 schools. On the issue of digitalisation the Assistant Director said that a lot of areas didn't have strong centralised asset management databases. A management tool called RAMIS had been purchased which would aid H&S compliance. The Assistant Director informed the group that new KPIs had been introduced around areas such as the maintenance backlog. New Service Level Agreements had been drafted in consultation with schools, these would act as landlord/occupancy agreements, and the same approach would be taken with other directorates. The Assistant Director also told the meeting about new training that was taking place.

66. The Director of Economic Development stressed the importance of having decisions on property made by property professionals.

67. The Head of Corporate Landlord at Birmingham City Council wrote offering advice: "Our advice would be to keep the Corporate Landlord (CL) team relatively small providing a "management" rather than a "doing" function i.e. "buying in" FM services from others - this gives future flexibility if there is a requirement to outsource services or to achieve further savings."

68. He also wrote: "We spent quite a lot of time developing the model we required and worked closely (initially) with our consultant partner (Telereal Trillium) to develop how we wanted the service to operate. We carried out a number of options/ appraisals on whether we should include all Facilities Management (FM) services via CL but decided that acting as "landlord" in managing the buildings and "buying" in services was the better model."

69. Members received a copy of the Welsh Government's Corporate Asset Management Strategy 2016 – 2021. One of the guiding principles for Asset Managers was to *"Take a Wales wide view to the management of our portfolios, understanding the whole-life costs of properties and where possible setting performance requirements for the operational and investment portfolios."*

70. During a presentation by the "People Too" business consultancy Members were given the following information on the importance of comprehensive data:

*“Data is a key asset and must be developed, maintained and managed like one. It must be reliable and useable for regular, consistent and trustworthy reporting that services and members can build confidence in and should easily feed regular dashboard reports to them. In order to support this data must be able to be interrogated at multiple levels including as a minimum;*

- *Asset (specific buildings)*
- *Macro-Portfolio (Education, City Ops, Commercial estate etc.)*
- *Micro-Portfolio (Parks depots, kiosks etc.)*
- *Component Layer (Cleaning, Catering, Security, Maintenance etc.)*
- *Feature groups (Assets with L&P, Asbestos, External cladding). And must inform the Strategic Asset Management Programme and drive its delivery over time.*

*In the long term this will allow you to move along the analytics maturity curve, improving performance. “*

71. People Too business consultancy outlined the importance of having a standard mandatory agreement that made roles and responsibilities clear for all parties. The Services Manager explained that in Bridgend 3 options were available in terms of maintenance under the Landlord and Occupancy Agreements. These ranged from just offering advice on maintenance issues to an all-inclusive package that proved attractive to service areas because the annual fee was a reduction on what they currently paid. This reduction was the result of better ways of working under a centralised approach to managing the estate.

72. Data ownership and management was identified as a key role and function under the heading Strategic Asset Management and Investment, during a presentation to Members given by the “People Too” business consultancy.

73. Members received evidence on the benefits of co-locating and collaborative asset management from the Head of Estates & Professional Services at the Welsh Government. Members were told about the Cwm Taf Pilot study which identified this principle as an example of best-practice. In a written submission the Head of Estates & Professional Services at the Welsh Government advised that: *“I am the lead WG official with responsibility for the NAWG (National Assets Working Group) and the principal role of the Group is to enable and influence collaborative asset management across public sector*

*organisations to release efficiency savings, developing tools to enable and readily facilitate this collaboration to take place. As the public sector estate is estimated at around £12bn (WAO) the opportunities to be realised are significant. The ongoing challenging financial climate for public services in Wales, as a result of the UK Government's policy of austerity, means we must innovate and work together and smarter to deliver excellent public services for people in Wales. It is essential that public services work collaboratively to tackle pressures and achieve value for money from all available resources."*

### **Benefits of successful implementation of the model**

74. During a presentation given by the Director of Economic Development it was explained that the "Property Strategy 2015 – 2020" has the following aims and objectives:

- Full Knowledge of the assets
- Full H&S compliance
- Reduced cost of operation
- Significantly reduced maintenance backlog through disposals and improved planned maintenance
- A modern fit for purpose estate
- High staff morale

75. Members heard examples of how in other areas community services such as libraries and leisure centres co-located on the same site as schools in other areas. This model worked well and was given as an example of a joined-up and centralised approach to providing key services.

76. The benefits of a Corporate Landlord structure according to "People Too" are:

- Planned/Preventative maintenance savings 12-18%
- Contractor discount of 6-8% for prior notice of works (12 weeks)
- Does not impact frontline services
- Visibility of large controllable spend
- One view of the truth
- Commercialisation and income generation

- Managing customer expectations
- Budget can be top sliced
- Economies of scale
- Client agent/recharges
- “Recurring” capital savings
- Sustainability of service
- Service area savings

77. Members were advised by the Services Manager at “People Too” that data and knowledge management helps improve performance, as everyone can see what impact actions have over time.

78. It was also outlined to Members how an effective preventative maintenance programme on corporate assets can save money in the long-term.

79. According to “People Too” total savings as a result of implementing a Corporate Landlord model are still being quantified but are likely to exceed £2,000,000.

80. A materials study by “People Too” into the current procurement process illustrates that value for money isn’t being achieved. The majority of purchases made by Building Services from the supplier Travis Perkins were ‘off contract’ and outside the framework agreement made between the Commercial and Procurement team and Travis Perkins.

81. It was pointed out by the Services Manager at “People Too” that benefits are far greater than can be initially evidenced. He gave the example of high maintenance costs in Monmouthshire for the first year after schools came back under a Corporate Landlord Model. He believed this was caused by a maintenance backlog being allowed to accumulate in the preceding year or two as schools realised that eventually maintenance would be dealt with under the Corporate Landlord Model.

82. The interim Head of Asset Management at Bristol City Council, told Members that under a Corporate Landlord Model the individual and shared use of assets will be easier to identify and facilitate to increase effectiveness and efficiency of the asset base.

83. The Head of Estates and Professional Services at the Welsh Government emphasised the need to think creatively about the question of assets, their location, and who else could use them. Members heard how this offers the best opportunity to maintain and improve service delivery with reduced resources.

84. Task Group Members heard that Welsh Government revenue money was potentially available via the next phase of the National Assets Working Group (NAWG) funded Asset Collaboration programme. The Head of Estates and Professional Services at the Welsh Government suggested that in respect of allocating funds they would be more receptive to proposals from organisations with the right working structures in place, especially if innovative and could then be potentially replicated elsewhere.

85. The Assistant Director, Commercial & Collaboration gave Members the example of the sale of Penhill Rise as an indication of how improvements are being made in terms of the Investment Estate. A better than expected return was received on the sale of this asset.

86. The Head of Corporate Landlord at Birmingham City Council outlined the benefits of a Corporate Landlord model in writing: "Control is probably the most significant benefit - in the 90's control had been devolved to occupying departments to manage buildings and budgets. By re-centralising the service and budgets it has provided the opportunity to introduce rigour and controls to ensure the portfolio is effectively used i.e. we allocate the space to directorates and they occupy on the basis of "serviced" accommodation."

87. The inquiry received a study carried out by the "People Too" business consultancy into building materials purchased by Cardiff Council in 2016. According to this service review by "People Too" Cardiff Council was overpaying for regularly purchased building materials. On an analysis of over 400 materials, the Council was only getting trade rates for 25 items and on some products was actually paying more than consumer/ retail rates. The review relates to purchases made from the building supplier Travis Perkins over a two-year period. During that timescale Cardiff Council spent £480,000 at Travis Perkins but 85% of this spend was off contract and outside the framework agreement made between the Commercial and Procurement team and Travis Perkins. The review found that Travis Perkins were charging

a higher price for these off contract goods when compared to the rest of the market. The “People Too” summary claims that when the frameworks were set up there was more engagement from Housing than Building Services, therefore many items on contract are more beneficial to housing maintenance rather than facilities management. Building Services are now working with Travis Perkins on improving the situation and as they move to a more planned preventative maintenance regime, the belief is that products should become more standardised.

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## INQUIRY METHODOLOGY

The Policy Review and Performance Scrutiny Committee Corporate Landlord task group was charged by the full committee with delivering a report for its consideration. This report uses the evidence gathered by the task group to make key findings and recommendations to the Cabinet of the Council in respect of running the estate under a Corporate Landlord Model. To achieve this the Principal Scrutiny Support Officer has worked closely with the Council’s Corporate Estate Team to identify appropriate witnesses, and taken a steer from all members of the task group. Other witnesses were identified as a result of desk-based research within Scrutiny Services. The task group received evidence from the following witnesses:

Date of meeting	Witnesses
Meeting 1 - November 27, 2017	<p><b>Cllr Russell Goodway</b> (Cabinet Member for Investment and Development)</p> <p><b>Neil Hanratty</b> (Director of Economic Development)</p> <p><b>Donna Jones</b> (Health &amp; Safety Manager)</p> <p><b>Tara King</b> (Assistant Director for Commercial and Collaboration)</p> <p><b>David Lowe</b> (OM Commercial and Collaboration Services)</p> <p><b>Helen Thomas</b> (Strategic Estates Manager)</p>
Meeting 2 – December 6, 2017	<p><b>Josh Dunn</b> (Services Manager, “People Too” business consultancy)</p>
Meeting 3 – December 13, 2017 Education Estate case study	<p><b>Cllr Sarah Merry</b> (Cabinet Member for Education, Employment &amp; Skills)</p> <p><b>Nick Batchelar</b> (Director of Education &amp; Lifelong Learning)</p>
Meeting 4 – January 24, 2018 Site visit, Bristol City Hall	<p><b>Tony Bamford</b> (Interim Head of Asset Management, Bristol City Council)</p>
Meeting 5 – February 13, 2018	<p><b>Richard Baker</b> (Head of Estates and Professional Services, Welsh Government)</p>

Meeting 6 – April 9, 2018

**Cllr Russell Goodway** (Cabinet Member for Investment and Development)

**Neil Hanratty** (Director of Economic Development)

**Tara King** (Assistant Director Commercial & Collaboration)

Written evidence was received from Dave Fletcher, Head of Corporate Landlord at **Birmingham City Council**. Written responses were also received from Tony Bamford (**Bristol City Council**) and Richard Baker (**Welsh Government**) prior to appearing before the Task Group. Further to these submissions the inquiry received a study by the “People Too” business consultancy into building materials purchased by Cardiff Council. The full written responses can be found in the appendices section of this report.

The key findings and recommendations are the unanimous view of the task group.

Details of all evidence considered by the task group and used in the preparation of this report are contained within a record of evidence that is available for inspection upon request.

## BIBLIOGRAPHY

- Cardiff Council – Corporate Asset Management Plan 2016/17
- Cardiff Council - Corporate Land and Property Management Plan 2018/19
- Cardiff Council – Property Strategy 2015 – 2020: Fewer, but better buildings
- Cardiff Council Cabinet Report: Developing the Education Estate in Cardiff (12 October 2017)
- Cardiff Council Cabinet Report: Corporate Land and Property Management Plan 2018 /19 (15 February 2018)
- Welsh Government Corporate Asset Management Strategy 2016 to 2021
- Welsh Government Report: A Regional Approach to Collaboration – Cwm Taf Pilot Study
- Welsh Government State of the Estate Report 2016 – 2017

## **LEGAL IMPLICATIONS**

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. Any report with recommendations for decision that goes to Executive/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report. However, financial implications may arise if and when the matters under review are implemented with or without any modifications.

**POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE**



Councillor David Walker  
**Chair**



Councillor Rodney Berman



Councillor Bernie Bowen  
Thomson



Councillor Joe Boyle



Councillor Stephen Cunnah



Councillor Owen Jones



Councillor Norma Mackie



Councillor Rod McKerlch



Councillor Jim Murphy

## PRAP TERMS OF REFERENCE

To scrutinise, monitor and review the overall operation of the Cardiff Programme for Improvement and the effectiveness of the general implementation of the Council's policies, aims and objectives, including:

To scrutinise, monitor and review the effectiveness of the Council's systems of financial control and administration and use of human resources.

To assess the impact of partnerships with and resources and services provided by external organisations including the Welsh Government, joint local government services, Welsh Government Sponsored Public Bodies and quasi-departmental non-governmental bodies on the effectiveness of Council service delivery.

To report to an appropriate Cabinet or Council meeting on its findings and to make recommendations on measures which may enhance Council performance and service delivery in this area.

## APPENDIX 1:

### Corporate Landlord Model – Responses from other Councils

#### **BIRMINGHAM CITY COUNCIL**

Dave Fletcher, headed up the Corporate Landlord function at Birmingham City Council since its creation in 2012. His responses are as follows:

**(i) What advice would you offer having already made the transition to a Corporate Landlord structure?**

BCC made the move to a CL model in 2012 for the management of its main back office portfolio. The service was split into 2 areas: Logistics - who deal with all of the moves, data, performance etc. and Operations that deal with the day to day management of the buildings - services i.e. cleaning, security, catering, repair & maintenance etc. is provided by others on the basis of Service Level Agreements - this means that the core CL staff is relatively small (8 staff in Logistics and 14 in Operations). Reception staff were initially part of CL but have subsequently moved into Customer Services. I think our advice would be to keep the CL team relatively small providing a “management” rather than a “doing” function i.e. “buying in” FM services from others - this gives future flexibility if there is a requirement to outsource services or to achieve further savings etc.

**(ii) With hindsight are there things you now wish you’d done differently? If so – what are they and why?**

CL was developed as part of the Council’s major business transformation programme (Working for the Future) and there are not really any things that with hindsight we would have done differently. We spent quite a lot of time developing the model we required and worked closely (initially) with our consultant partner (Telereal Trillium) to develop how we wanted the service to operate. We carried out a number of options appraisals on whether we should include all FM services via CL but (as above) decided that acting as “landlord” in managing the buildings and “buying” in services was the better model.

**(iii) What are the main benefits that you’ve noticed since introducing this structure?**

Control is probably the most significant benefit - in the 90’s control had been devolved to occupying departments to manage buildings and budgets. By re-centralising the service and budgets it has provided the opportunity to introduce rigour and controls to ensure the portfolio is effectively used i.e. we allocate the space to directorates and they occupy on the basis of “serviced” accommodation.

**(iv) Have there been any issues in terms of acceptance of the new model by staff and individual service areas?**

Some reluctance initially, especially when we introduced agility into the portfolio and removed cellular offices etc. This has however, pretty much now “gone away” with directorates, generally, understanding the policies and procedures we have in place and working with us to achieve outcomes that are beneficial to both sides.

**(v) If consultation took place with other Corporate Landlord Councils, what potential pitfalls did they identify?**

At the time we started to look at this (2010) there were not many role models we could look to consult with. We have subsequently had many visits from other authorities and private sector organisations to see what we did with our office transformation and the on-going management via the CL function. I think that the CL model will depend on the nature and size of the authority and what the aim is - for BCC with a relatively blank canvas (following Transformation) we had the opportunity to review what we wanted (in the context of existing service provision) and we worked this through to set up the model we now have - which over the last 5 years has generally worked well for us.

**(vi) Prior to implementation what were the main components of your strategic planning?**

As part of the transformation the Council initially moved from an aged/time expired office estate of 55 building (around a further 28 were added during the programme) with the aim (now achieved) of having 7 core buildings - staff number to be accommodate started at circa 9,100 FTE's (10,500 people) and has reduced to approx.. 7,500 FTE's. The footprint of the accommodation has reduced from in excess of 1 million sqft down to 560,000 sqft with annual running costs reducing from £19m P/A to circa £11m. So our planning was around how we would manage the portfolio going forward to achieve the savings we had set ourselves - £100m over the life (25 years) of the project.

**BRISTOL CITY COUNCIL**

Tony Bamford is interim Head of Asset Management at Bristol City Council & Chair of the Association of Chief Estates Surveyors in Wales. His answers to the questions are as follows:

**(i) What advice would you offer having already made the transition to a Corporate Landlord structure?**

The principal point to establish and make abundantly clear is the council is the legal owner of its assets and therefore all assets are vested in the corporate body. This means the control of budgets has to be aligned to this approach.



This can be dealt with incrementally but most simply as a single issue. Establishing an effective and healthy relationship between the centre and services is an ongoing process that must be maintained. Corporate and member buy in is important and the opportunities for savings can be identified through a business case approach. Changing the culture and developing an effective route forward is also important.

**(ii) With hindsight are there things you now wish you'd done differently? If so – what are they and why?**

Difficult to say since each authority is different. I would suggest that stakeholder mapping is helpful. A risk analysis, option appraisal and to help implementation - a "pre mortem" might be helpful? A pre mortem is where an idea is considered to have gone wrong and then all the reasons why established so they can be nullified before you start the work in reality. Often used in project management.

**(iii) What are the main benefits that you've noticed since introducing this structure?**

It's more an evolution than a "big bang" the idea is to achieve quantities of scale and savings. It should also allow us to work with partners in a more coherent manner. Expected to make best practice property and area review tools more robust in challenging service use of assets.

**(iv) Have there been any issues in terms of acceptance of the new model by staff and individual service areas?**

In a large authority like Bristol or Cardiff there are bound to be more issues in creating and achieving the "centre of gravity corporately". Likewise within service structures the trickle down of the change will happen at different rates.

**(v) If consultation took place with other Corporate Landlord Councils, what potential pitfalls did they identify?**

We haven't consulted with other councils since a corporate landlord can mean different things to different bodies. For instance some authorities have internal recharging but we have avoided that route as being too work intensive for little purpose. A book published last year about corporate real estate asset management planning does include a chapter about councils instituting corporate landlord models. Details will follow next week. I suggest you make enquiries of the National Assets Working Group (NAWG) in this respect as well and Richard Baker WG Head of Estates would be a useful contact. I can provide his e mail details next week for you.

**(vi) Prior to implementation what were the main components of your strategic planning?**

We have introduced a new Property Strategy Board to replace the previous governance structure. At the same time we have introduced a new Regeneration and Growth Board. Over the years' service and department asset management plan frameworks were instituted and corporate asset management documents as with many other authorities

Naturally we see the corporate landlord model enabling a more effective pooling of assets and their revenue and capital expenditure. The individual and shared use of assets will be easier to identify and facilitate to increase effectiveness and efficiency of our asset base.

I am chair of the Association of Chief Estates Surveyors in Wales this year so if you would like any further contacts please feel free to get in touch.

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## **Written response received from Richard Baker, Head of Estates and Professional Services, Welsh Government**

### **Background.**

While I do not know what path the council are going to take, the corporate landlord model can follow different routes but at its heart is a real desire to improve strategic asset management.

There is a very good quote from the RICS Public Sector Asset Management guidelines (2nd edition) which really sets the high level aspiration and why organisation should be looking at effective delivery in a time when we are all facing finding pressures.

*“Managing property assets requires co-ordination with all parts of an organisation. It is strategic and business led and requires the co-operation of the whole organisation to be successful and in order that the most effective space is delivered”*

### **Responses to questions from Mark Jacques (PSSO):**

#### **1. What advice would you offer an organisation about to introduce a Corporate Landlord structure?**

My first piece of advice (at the outset) is to ensure senior decision makers within an organisation support the process and the team that are set to deliver it. I have no insight as to how the Council currently operate but taking control of assets into the centre will meet barriers. An unequivocal statement of intent from the top will support that drive for change.

#### **2. Having spoken with organisations that have adopted a centralised model - with hindsight are there things they'd wished they'd done differently? If so – what are they and why?**

I would say get as much help and support from those who have already gone down this route as possible. I might recommend engagement with CIPFA who have successfully run a number of training and information events on the topic. Organisations may begin the journey from different starting points so one size may not fit all. However, a key point already picked up in the RICS quote above would be to ensure all business departments impacted by the change are kept very much up to speed with progress. There will be a need for cooperation particularly in obtaining property data held by individual branches so working together with a shared corporate goal will help

#### **3. What do you think are the main benefits of introducing such a structure?**

With dispersed departments having responsible for their own property assets there is a tendency for a silo mentality and assets are not delivering efficiency's (VFM) here are some highlights:

- Asset plans not aligned to business planning/not delivering corporate objectives / outcomes become difficult if the asset is only available to a single Dept.
- Capital investment not prioritised and in truth an understanding of backlog maintenance position unknown at the centre.
- Control and oversight of statutory obligations / legislative testing programmes can be lost and there are risks to non-compliance,
- The National Assets Working Group (NAWG) encourage efficiency reviews that requires all costs of occupation space standards information along with utilisation rates to be fully available. But individual groups holding assets will lead to data inconsistent proper analysis is not possible.
- Central asset control can also lead to advantages in procurement of property services.

**4. Do you know of any issues in terms of acceptance of the new model by staff and individual service areas?**

Depending on the starting point, this journey will be a cultural shift, buy-in (and full support) from the very top is essential. However, there will always be some who feel that relinquishing control of the asset will disadvantage them. Some things to remember, it's not their asset and it's not free, plus it's not a policy aimed just at them, it estate wide. Also day to day building management from the centre releases them to deliver policy priorities for their division.

**5. What potential pitfalls would you identify?**

There will be challenges not least from upfront costs so organisations need to be prepared to invest to eventually see a return. Have a budget set aside or risk the process not being delivered. However, improvements depend very much on where the organisation starts from (what is the current model) it will be important to establish and clearly manage expectations.

**6. Prior to implementation what should be the main components of any strategic planning?**

Very wide question and perhaps one for the project with experience of change programmes. However, I would expect the policy stage to include a time line with appropriate responsibilities properly assigned to individuals and the overall governance package to include regular progress reviews.

**Note on National Assets Working Group:**

- I am the lead WG official with responsibility for the NAWG and the principal role of the Group is to enable and influence collaborative asset management across public sector organisations to release efficiency savings, developing tools to

enable and readily facilitate this collaboration to take place. As the public sector estate is estimated at around £12bn (WAO) the opportunities to be realised are significant.

- The ongoing challenging financial climate for public services in Wales, as a result of the UK Government's policy of austerity, means we must innovate and work together and smarter to deliver excellent public services for people in Wales. It is essential that public services work collaboratively to tackle pressures and achieve value for money from all available resources.
- Asset Management is a key part of business planning and an important tool in meeting the current and future financial challenges for all public organisations in Wales.
- Thinking creatively about the question of assets, their location, and who else could use them, offers the best opportunity to maintain and improve service delivery with reduced resources.
- In order to increase the pace and ambition of the group in driving forward initiatives and work relating to good practice collaborative asset management activity across the Welsh public sector, the government funded the Welsh Public Sector Collaborative Estate pilot in the Cwm Taf area.
- The report was published in September 2017 and it confirms there are significant opportunities if public services work together and take a more strategic approach to property and property management across geographical and organisational boundaries. It highlights opportunities to integrate services; improve customer experience; create wider efficiencies; rationalise the estate and improve the quality of public service assets by investing more in fewer, shared physical assets.
- The Cwm Taf regional pilot programme has the potential to deliver the following benefits, according to the report:
  - New homes from surplus public sector land release;
  - Significantly enhanced, customer-focused services through integrated service planning and a better estate to support service delivery;
  - Reduced annual running costs as a result of a rationalisation of public sector estate and the prudent purchasing of property services;
  - Capital receipts from the release of surplus public sector land and strategic brownfield sites, creating a fund for future investment;
  - New jobs associated with the development of surplus land and service improvements.

The study has given public services in the Cwm Taf area a better understanding of their collective estate and service delivery plans and how a collaborative approach offers the opportunity to deliver greater outcomes.

Section 4 of the report gives a brief summary of the Corporate Landlord Model and its advantages.

<http://gov.wales/topics/improvingservices/assets-cymru/regional-approach-to-collaboration/?lang=en>

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## APPENDIX 2:

### Cardiff Council - Building Services Materials Framework Summary

A review of the Building Services materials frameworks is currently being undertaken, exploring opportunities to further drive value where possible. The Commercial and Procurement team (C&P) and People too (P2) are collaboratively working to identify key areas of opportunity, which are to be addressed with the suppliers.

Travis Perkins currently have a framework agreement for General building items, they provided data that showed in 2016 Building Services spent circa £309k on items and to date in 2017, c£171k. C&P and P2 have recognised the off contract spend with Travis Perkins as an opportunity to gain further value from the framework. Over the last 2 years, circa 15% of the total spend with Travis Perkins has been on contract, the remaining spend has been on items that are off contract. C&P has completed a detailed analysis identifying these items and listing which framework the item should fall into. P2 is currently completing an ongoing analysis of the material prices received from Travis Perkins on items with high spend, the data so far has generally shown that Travis Perkins are charging higher price for goods that are off contract in comparison to the market. This analysis is still ongoing as the Council is negotiating with Travis Perkins to move certain products on contract. This has been identified as a key area for improvement, as when the Frameworks were set up there was much more engagement from Housing than Building Services, therefore many items on contract are more beneficial to Housing maintenance rather than Facilities Management. It has been recognised that Facilities Management have more one-off purchases in comparison to Housing, due to the variety of buildings the service currently manages. However, Travis Perkins have agreed to work with Building Services to recognise where improvements can be made and as Building Services is making changes towards moving to a planned preventative maintenance regime in the future, products should become more standardised.

City Plumbing, also known as City Heating Spares, also have a framework agreement with the Council to provide materials, predominantly mechanical, to Building Services. City Plumbing provided spend report data which when analysed showed circa £107k total spend, of which £57k was off contract. Further to this, £58k of the spend was not itemised and therefore was very difficult to show if value is being received on this spend. P2 also completed an analysis showing variation of prices on the same products, the price differences totalled to circa £3.7k. C&P analysis also showed that the spend that City Heating labelled as off-contract should have been under the framework. Building Services have contacted City Plumbing and set up a meeting on 6<sup>th</sup> March 2018 to discuss the issues detailed above, all of which have been identified as opportunities to improve the value of the frameworks.

Following the meeting on the 6<sup>th</sup> March, City Plumbing have agreed to report on the £58k of

spend that has not been itemised, with more detailed analysis of what has been purchased. Further to this, City Plumbing has also recognised that there should not be a variation in price for the same products and will review the analysis that has been completed. City Plumbing stated that if there were manual changes to price from their staff then a credit would be arranged. As well as this, City Plumbing are also happy to work with Building Services to identify other items that can be moved on contract for the remainder of the framework.

## Materials



We are significantly overpaying for a number of materials. Of over 400 analysed, we are only getting “trade rates” for 25 items, on other items we are paying more than consumer/retail rates, eg:

- **McAlpine Flex WC Conn** WC-F23R
- Cardiff price - £40.64.
- Screwfix price - £23.39 INC VAT
  
- **Fernox F1 Central Heating Protect** 56599
- Cardiff price - £30.18
- Wickes price - £14.99 INC VAT
  
- **Black Nitrile Gloves** (BOX 100)
- Cardiff price - £18
- Plumb-line price - £9.08

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