

ABERDEEN CITY COUNCIL

COMMITTEE	Enterprise, Planning and Infrastructure
DATE	6 November 2012
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Delivering Transformational Change in Asset Management & Operations Services
REPORT NUMBER:	EPI/12/243

1. PURPOSE OF REPORT

This report provided the Committee with indicative details of the approach being taken within the Asset Management and Operations Services within Enterprise, Planning and Infrastructure to enable the services to deliver the level of efficiencies identified within the Council's Business Plan.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- a) note the findings from the soft market testing and soundings undertaken by the services to date
- b) agree that the capability exists within the in-house workforce to achieve similar levels of efficiencies through transformational changes and appropriate investment in services
- c) note the range of change options identified within the report
- d) instruct officers to report back in six months to update the committee on progress

3. FINANCIAL IMPLICATIONS

The 2011/12 budget decisions identified a number of options for delivery including a saving of £4.481M annually from 2013/14 onwards which is for 'Partnering of AM&O Services'. The 2012/13 General Fund revenue budget makes provision of £0.5M to enable the delivery of these savings in future years.

4. OTHER IMPLICATIONS

A number of the options require changes to working practices, changes to job content or indeed changes to working hours in order to deliver the level of saving/efficiency identified. In each case there will be

engagement with staff groups involved and ongoing dialogue with trade unions in order to ensure that the reasoning behind change is clear and the benefits are delivered. Services with a key role to play in the change process will be participating in the governance of the transformation of the services e.g. Education in relation to soft Facilities Management

5. BACKGROUND/MAIN ISSUES

Asset Management and Operations (AM&O) provide a strategic and operational function for the management and maintenance of the Council's physical assets i.e. properties, road infrastructure, vehicles and plant.

The various teams are led by a wide range of professional and specialist service managers supporting frontline operations primarily in property, facilities management, roads and vehicle maintenance.

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Soft Market Testing has identified that potential service providers would generate an average savings across each function of around 20% (for more detail see Supplementary Report). As this is a gross saving comparisons and takes no consideration of costs the Council would have to encounter to manage any external provider net saving levels have been estimated. The levels of efficiencies are reflective of the approach and level of saving the in-house service would make to transform the service.

The market soundings identified specific actions that the private sector could generate savings from. These are Staff Transfer/Turnover, Maximising Attendance, Use of Supply Chain, Access to Wider Resources/Contracts, Innovation and Optimising External Income Sources. The comparison between internal and external service providers points to significant similarities of approach to cost reduction and service quality. It also has to be recognised that some work is already outsourced for workload/benchmarking purposes and in the circumstances managers are familiar with the local market, costs and capabilities of external service providers.

One of the key factors affecting the in-house service cost is the hourly rate of pay of many staff groups. Decisions made as part of the annual budget process to increase the lowest levels of pay for staff have increased service delivery costs against a backdrop of lower costs and minimum wage conditions in the private sector.

Since Financial Year 2010/11 a significant number of savings have been generated across the range of services within AM&O. A robust Capital Programme fee income from project design has now been established. In addition the ongoing rationalisation of corporate accommodation is assisting in bring down revenue spending in this area. Through continued innovation we are reducing our energy costs that provides the additional benefits of paying lower carbon reduction commitment costs.

The table below summarises the split of savings contributing to the overall target within option EPI_AMO01.

Service Heading	Saving/Efficiency	Estimated Saving £000	Total Savings by Service
Facilities Management			1128
Catering	Income generation / new services	310	
	Working Patterns/productivity	70	
Cleaning	Working Patterns	100	
	Management Structure	150	
Janitorial	Income from rents	164	
	Redesign Out of Hours Service / Roles	125	
School Crossing Patrols	Working Patterns	50	
Hard FM	Absorbed Cost Pressures	159	
Fleet	Redesign Service Delivery	166	600
	Vehicle Replacement Costs	434	
Parking	Consistency of Charging	200	200
Asset Management	Fee Income	1000	1980
	Corporate Estate Review	980	
Roads	Absorbed Cost Pressures	200	500
	New Income sources	125	
	Working Patterns	100	
	Process Re-engineering	75	
Total			4408

These figures have been confirmed by Finance colleagues as fitting to adjusted levels of spending in 2013/14.

Undoubtedly action needs to be taken to improve the efficiency of some services, especially those where soft market testing suggests opportunities exist.

Every opportunity is being identified to optimise income and where processes involve other services to involve them in any review.

At present a number of projects are under way to deliver efficiencies. Two specific tasks are being undertaken that will establish the most

cost effective and practical way forward for the future use of our property assets, these being the reviews of corporate office accommodation and depots. Services have set out in their asset management plans future needs in these areas and given the cross cutting nature of the services involved it is important to undertake a thorough option appraisal. Unfortunately such reviews and their outcomes will require further planning and resourcing and so a realistic timescale for delivery will be approaching 2014/15 before any meaningful savings can be delivered.

6. IMPACT

Aberdeen – The Smarter City identifies as a high priority that the Council will provide and promote a sustainable transport system, including cycling, which reduces our carbon emissions.

The Single Outcome Agreement identifies as a National Outcome 15, “Our public services are high quality, continually improving, efficient and responsive to local people’s needs.” One of the actions identified is that partners will “Modernise service delivery and ensure there is appropriate investment in staff training, equipment and accommodation to deliver this”.

7. BACKGROUND PAPERS

Internal reports produced summarising the Soft Market Testing Returns for services (Fleet, Roads and Streetscene, Catering).

Report by Ernst and Young re Option Appraisal for Management of Investment Properties.

The information contained in these reports is confidential in nature.

9. REPORT AUTHOR DETAILS

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