

Report To: Regeneration Committee **Date:** 25 May 2010

Report By: Corporate Director Regeneration & Environment **Report No:** R141/10/JL/JL

Contact Officer: Joe Lynch **Contact No:** 01475 712456

Subject: Property Assets & Facilities Management
Building Services Unit
2010 – 2013 Business Plan Update

1.0 PURPOSE

- 1.1 The purpose of the report is to seek approval of the updated Building Services Unit Business Plan for 2010 – 2013 (Appendix 1). Appendix 1

2.0 SUMMARY

- 2.1 This Business Plan updates the Building Services Unit Business Plan previously approved by Committee (4 September 2008).
- 2.2 This Business Plan update takes cognisance of the restructure of the Building Services Unit (BSU) within Inverclyde Council as part of the housing stock transfer process executed on 3 December 2007 and BSU development since the transfer.

3.0 RECOMMENDATION

- 3.1 That Committee note and approve the Building Services Unit updated Business Plan for 2010 - 2013.

Joe Lynch
Head of Property Assets and Facilities Management

4.0 BACKGROUND

- 4.1 This Business Plan updates the Building Services Unit (BSU) Business Plan previously approved by Committee (4 September 2008).
- 4.2 The Business Plan is a key planning and performance monitoring tool. It is the blueprint which informs and guides the delivery of BSU services for the period.
- 4.3 The Building Services Unit has been approved (Policy & Resources Committee 30 March 2010) as the Council's only Statutory Trading Operation (STO). There is a statutory requirement for STOs to make a three year rolling surplus after the application of certain statutory adjustments. BSU achieved the target for the period ending 31 March 2009 and is forecast to continue to meet the target for the period ending 31 March 2010.

5.0 PROPOSALS

- 5.1 The current Business Plan document represents the forward planning process of the Building Services Unit for the period 2010 - 2013.

6.0 IMPLICATIONS

- 6.1 Financial Implications - One off Costs: N/A

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments
			None		

- 6.2 Financial Implications - Annually Recurring Costs/ (Savings): N/A

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (if applicable)	Other Comments
			None		

7.0 CONCLUSION

- 7.1 The Chief Financial Officer has been consulted and is in agreement with the proposals contained within this report. (TBC)

8.0 BACKGROUND PAPERS

- 8.1 'Property Resources & Facilities Management: Building Services Unit; 2008/11 Business Plan Update' Report to Regeneration & Resources Committee, 4 September 2008.
- 8.2 'Significant Trading Operations – 2010/11' Report to Policy & Resources Committee, 30 March 2010.



Regeneration & Environment

Property Asset & Facilities Management

BUILDING SERVICES UNIT

BUSINESS PLAN 2010- 2013

May 2010

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1. Introduction

This 'Building Services Unit Business Plan' updates the 2008 – 2011 three year Business Plan previously approved by the Regeneration Committee (4 September 2008).

Building Services Unit has been approved (Policy & Resources Committee 30 March 2010) as the Council's only Statutory Trading Operation (STO). There is a statutory requirement for STOs to make a three year rolling surplus after the application of certain statutory adjustments. BSU achieved the target for the period ending 31 March 2009 and is forecast to continue to meet the target for the period ending 31 March 2010. The BSU achieved the target set for the previous consecutive three year period despite the challenges and impacts presented by the recent economic downturn.

This Plan identifies:

- The works which the Building Services Unit (BSU) will aim to undertake.
- The income which this will provide.
- The structure and operating systems required to deliver the work.
- The expenditure projected.
- The business approach which the BSU will develop to be a successful organisation and secure stable employment for its workforce.

The Plan has been updated to reflect:

- 2010/13 Budget Projection
- Current Building Services Unit Management Structure
- Unit overhead costs
- Potential work streams
- Three year plan projection

2. Plan Period

This Business Plan update is for three years i.e. 2010/11, 2011/12 and 2012/13. The Plan is subject to annual review and has been updated accordingly.

3. Work Streams -

Sector 1.

There is a continuing requirement to provide responsive repairs, programmed cyclical and statutory maintenance work to the Council's Property portfolio. However by its very nature, the volume and value of this work cannot be guaranteed and therefore estimates are projected.

Sector 2.

The Building Services Unit entered into a Framework Agreement with River Clyde Homes in February 2008 as one of three preferred Contractors' following successful open market competition.

The Framework Agreement in place, is for the delivery of Capital Investment works services for a 4 year contract period until 2013. The first Commencement order was issued to BSU February 2009 in support of the programme for internal refurbishment of the River Clyde Homes' housing stock

The nature of the works includes for replacement of bathrooms, kitchens, electrical rewiring and associated specialist enabling works.

It is estimated that the total number of properties to be refurbished by all three participating contractors will be in the region of 1850. Individual contract packages will be awarded to each of the three framework contractors ranging from 30 to 50 properties to over 100 properties per allocated work package.

This plan takes cognisance of current and projected work streams over the forthcoming consecutive three year period and recognises the significant level of income generated by the Unit from the River Clyde Homes framework contract.

Sector 3.

Minor works won in competitive open market tendering for both internal and external clients.

Minor works up to a value of £25,000 for Council properties.

Sector 4.

Electrical Testing of portable appliance equipment.

4. Income Projections 2010 - 2013

The tables below set out projected income which could be derived from BSU fiscal **year 1** 2010/11, and thereafter **year 2** and **year 3**.

Year 1 2010/11 Income	Sector	Work stream	Value £000
	1	Public Buildings Property Maintenance	700,000
	2	RCH – Capital Works Kitchens / bathrooms	1,430,000
	3	Minor Works – Internal / External Client Tenders	1,071,539
	4	Portable Appliance Testing Services	50,000
		Total	3,251,539

Year 2 2011/12 Income	Sector	Work stream	Value £000
	1	Public Buildings Property Maintenance	721,000
	2	RCH – Capital Works Kitchens & Bathrooms	1,472,900
	3	Minor Works – Internal / External Client Tenders	1,103,685
	4	Portable Appliance Testing Services	51,500
		Total	3,349,085

Year 3 2012/13 Income	Sector	Work stream	Value £000
	1	Public Buildings Property Maintenance	742,630
	2	RCH – Capital Works Kitchens & Bathrooms	1,517,087
	3	Minor Works – Internal / External Client Tenders	1,136,796
	4	Portable Appliance Testing Services	53,045
		Total	3,449,558

Notes:

- (a) Public Building Property Maintenance repairs are organised through an internal direct ordering system to BSU and private Contractors. Property Resources & Asset Management provides a number of tender opportunities to external contactors in the open market competition. The intention would be for the BSU to maximise future opportunities arising from this source.
- (b) The River Clyde Homes refurbishment contract has been established by RCH for the provision of internal Capital refurbishment projects and is initially for a 4 year period. It was awarded to the BSU (as one of three Partners) following successful tendering in open market competition in February 2008.
- (c) RCH has profiled its capital works for significant expenditure during the period 2008 - 2015, with an overall value for the project in the region of £19,000,000 to £21,000,000 which includes replacement kitchens, bathrooms and electrical re-wires of housing stock.

The Building Services Unit has, through competitive pricing and successful delivery and contract performance, secured an opportunity with the potential for a significant future share of this work.

Property work order packages issued to the BSU are subject to the continued attainment of satisfactory key performance measurement indicators. Quantities issued to each of the three contractors will vary and geographical locations are determined by RCH.

- (d) The 2010/11 allocation of capital works for the Building Services Unit has been confirmed and agreed with River Clyde Homes in the form of several work packages for Year 1 totalling 220 houses.
- (e) The BSU will continue to develop its partnership with River Clyde Homes with the objective to retain up to a third of the framework share over the duration of the 4 year contract period and thereafter.

5. Core Business Policy

The BSU is market focused. The core business objective will be to maintain income and employment levels over the medium term.

To sustain business stability and employment levels will require continued best practice and process improvement whilst seeking to develop new opportunities.

The unit recognises the importance of being more commercial in outlook and competitive in price and performance in order to succeed in expanding the business base.

However, it will continue to operate in a clearly defined services orientated market place, and the challenge of change should be set in a context of real opportunity, operating a strategy to deal with market and client fluctuations whether day to day, or more long term.

The **Business Strategy** which underpins the plan is described as follows:

1. The BSU is structured in a manner which allows management to monitor closely, accurately and timeously the current performance and likely future development of each work-stream. The BSU is structured operationally into sub-units within the overall business, with full cost recovery applied fairly to each business component.
2. Within this, to operate a project costing system to ensure that wherever possible, every piece of work contributes to the overheads and margins of the business.
3. To operate with the lowest possible administrative and support costs and on low profit margins to ensure that the BSU is competitive in the market place, but to be quick to recognise and capture opportunities as they arise.
4. To focus on quality as well as price, and to build long-term working relationships with customers and community planning partners of Inverclyde Council.
5. To invest in staff through training and development of skills and resources including the recruitment of 2 Apprentice Joiners, and 1 Apprentice Electrician during 2009/10.
6. To encourage staff to be entrepreneurial for the Unit and for themselves.
7. To have flexible use of staff throughout the organisation in order to meet deadlines and to cope with a changing pattern of work in the longer term.

6. Expenditure Projections

Business costs within the BSU projected for 2010/11 summarised below are based on the structure which follows.

Total Employees		1,350,000
Property		37,000
Supplies & Services		1,430,000
Transportation & Plant		100,000
Administration		23,000
Other Expenditure		1,000
Central Support		97,000
Loan Charges		15,000
TOTAL COST		3,053,000

Notes:

1. Annual Indices

Overheads for depot costs and other fixed costs cannot be projected with certainty, for planning purposes an annual 3% contingency year on year has been included for year 2 and year 3.

2. Vehicles

The unit consists of 33 Tradespersons and 3no. Apprentices with 20 no. vehicles allocated for front-line duties. Additionally, an allowance has been made for three operational team leaders to have a vehicle, bringing the total to 23.

At an annual average cost of £2,753 per vehicle, the business plan allows £63,310 fleet costs per annum. Subject to the nature of the work being undertaken the Unit will continue to explore if further economies could be generated.

3. Subcontractors

The Unit operates extensively in a Contractor capacity to internal clients and River Clyde Homes. Whilst also seeking both internal and other external opportunities, changing patterns of work stream will necessitate the continued requirement for the BSU to engage specialist trades on a project specific basis.

4. Continual Improvement

The operational requirements will continue to be reviewed on a regular basis, and resources aligned to projected work streams and client requirements.

7. Management Structure

The BSU Team Leader has overall responsibility for the financial performance of the unit reporting to the PAFM Construction Services Manager.

UNIT MANAGEMENT TEAM

The Unit Management Team has 9 staff members comprising of:

- BSU Team Leader x 1
- Team Leaders – Operational x 3
- Technician – Electrical x 1
- Technical Assistants x 2
- Admin Officer x 1

8. Performance Management Measures

Performance Management Measurement - Key Process Indicators

Description	Year 1	Year 2	Year 3
	2010/11	2011/12	2012/13
BSU Absence Management			
Management and Office Staff	3%	3%	3%
Craft & Manual Employees	5%	4%	4%
Client's			
PAFM – Internal Client Satisfaction Survey	85%	90%	95%
PAFM Property Maintenance Response Times	85%	90%	95%
RCH - External Client Satisfaction Survey	88%	90%	95%

9. Income Projections to Year 3

Background

The Building Services Unit does not exist within a stable and unchanging market. The business policy and strategy within this Plan reflects that reality.

The Year 1 projection for the River Clyde Homes capital investment work stream, accounts for 44% of the Unit's annual projected income. The importance and consistency of business continuity from this source in years 2 and 3 is recognised as a key sustaining factor of the Building Services Unit.

However it should be noted that the allocation and quantity of future work packages to be issued to each individual framework contractor over the 4 year contract period, whilst subject to successful attainment of contractor performance measurement criteria, cannot be qualified or guaranteed by River Clyde Homes.

This section of the business Plan therefore looks beyond Year 1 to assess how income might be generated to sustain the unit at a turnover of around £3.2M rising to £3.4M over the three year period.

Potential Growth Areas

1. PAFM Minor Works

The Year 1 Plan forecasts income of approximately £1.071M from Minor Works and other internal client services tenders from within the Council. An examination of the 2009-10 spend in this area revealed a income of some £424k which was on a range of Minor Works, not all of which were within the potential of the BSU.

There will therefore be a requirement for the BSU to secure an increasing share of the available Minor Works schemes after Year 1.

2. Other Minor Works

Other income generated for a range of internal tendered client funded works services and other external works generated an income of £648k.

It would be unrealistic for the unit to aim to achieve all income from an internal source. This Plan therefore targets growth within the minor works external market from other local Registered Social Landlords, Strathclyde Fire & Rescue, Strathclyde Police and other appropriate local organisations.

The Building Services Unit recognises the potential risk of failing to secure sufficient work to ensure future commercial stability.

The Unit has since pre-qualified and is registered as a U.K. member of 'Constructionline', an external organisation accredited for public and private sector procurement. Building Services Unit will continue to develop other internal and external opportunities to build upon and expand its business base.

The Year 3 total value of income from this source is estimated to be in the region of £1.1M.

The BSU continues to develop its partnership with River Clyde Homes with the objective to retain up to a third of the framework share over the next three years. Whilst also exploring other potential work stream opportunities with the client, in support of their business strategy.

3. Planned & Preventative Maintenance

Whilst there is a continued requirement to provide a responsive repairs service for the councils' Public Buildings, the development of the Property Asset Management strategy supports best practice. Moving from reactive maintenance to a more proactive approach with the provision for delivering programmed cyclical and statutory maintenance compliance works. However by its very nature, the volume and value of these work streams cannot be guaranteed and therefore estimates are projected.

There is real potential growth within the immediate internal market. If the BSU can attain greater market penetration set down in the targets for minor works and for planned cyclical regulated maintenance works, then turnover could potentially rise from £3.2M in Year 1 to £3.4M by Year 3.

Taking cognisance of the changing market place and the potential of future internal and external opportunities, the Unit has pre-qualified and is now registered as a member of SELECT. The Electrical Contractors Association of Scotland, a scheme provider under the new Scottish Building Standards System.

As a participating accredited member of SELECT, the BSU operates to approved industry standards and confirms that competent, appropriately trained individuals carry out the work. Regular technical assessments are used to ensure that standards are met and that member organisations are managed as financially viable enterprises.

The BSU operates in a highly competitive and changing market place and therefore by its very nature the Unit must be capable of sustaining the provision high standards across a wide range of services. This has implications for the management structure within the BSU as it points up the need for a high degree of management flexibility to move staff (i.e. skills and resources) from one work-stream to another over the Plan period.

10. Summary

Whilst taking cognisance of the impact of global recession on both the national and local economy, and in recognition of slowing market growth across the UK in both the public and private sector, the projections show the turnover of the BSU as having the potential to rise towards £3.4M by winning a reasonable share of the internal and external market opportunities through competition.

Assumptions:

1. That kitchen and bathroom capital works allocated in work packages issued by RCH will demonstrate 3% growth per annum and be extended into Year 3 from a base of £1,430,000 per annum in Year 1.
2. That Public Building Property repairs out with the term contracts will steadily grow from the current projection of £700,000 rising to £742,000 over the three year period.
3. That Minor Works, cyclical maintenance requirements and capital investment works opportunities will grow over the three year period through business development by targeting both internal and external client opportunities i.e.
 4.
 - a) PAFM Term Contract works.
 - b) PAFM Work packages tendered in open market.
 - c) PAFM Minor Works (£25,000)
 - d) Internal client funded works.
 - e) Local RSL's maintenance and capital works.
 - f) External clients (other) won in open market competition

This Business Plan takes cognisance of the Councils Corporate Plan and is not considered an unrealistic ambition for the unit. The Plan takes cognisance of the importance of sustainability and achieving the targets set out over the three year period.