

**Report To: Environment and Regeneration Committee Date : 30 August 2012**

**Report By: Corporate Director Environment,  
Regeneration & Resources**

**Report No: R257/12/AF/AG**

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**Subject: BSU Business Plan 2012-15**

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to present the BSU Business Plan 2012-15 to Committee for approval.

## **2.0 SUMMARY**

- 2.1 The Council's Building Services Unit is a Statutory Trading Organisation and requires to have in place a Business Plan showing how it will maintain financial and operational performance. These plans are normally for 3 years. The current plan expires this year and a new plan is required. This is appended to this report.
- 2.2 Circumstances changed significantly for the BSU from March 2011 following the loss of significant workload from River Clyde Homes. This has resulted in a significant downsizing of the Unit and virtually all workload being sourced from within the Council. As such there is no longer any rationale to retaining the Building Services Unit as a Statutory Trading Organisation.

## **3.0 RECOMMENDATION**

- 3.1 It is recommended that Committee approves the Building Services Unit's Business Plan 2012-15.
- 3.2 It is recommended that Committee approves the discontinuation of the Building Services Unit's status as a Statutory Trading Organisation.

**Andrew Gerrard**  
**Head of Property Assets and Facilities Management**

## **4.0 BACKGROUND**

- 4.1 The Building Services Unit (BSU) is the Council's in house building contractor. Up to the creation of River Clyde Homes as a separate body to manage housing stock it was a sizable organisation with over 100 employees whose main functions were council house repairs, council house refurbishment, minor works and repairs to other council buildings and minor building refurbishment projects.
- 4.2 When River Clyde Homes was created in December 2007 the BSU was split, with 70% of the employees going to RCH and 30% remaining with the Council. From that point the BSU's work was about 60% internal to the Council and 40% under contract to RCH. This contract was due to run from March 2009 to March 2013 however in March 2011 RCH ceased to issue any work under this contract and retendered the work under a new contract.
- 4.3 The loss of this workload resulted in the downsizing of the BSU from 30 operatives to 20 and a refocusing of the workload almost exclusively on internal Council work.
- 4.4 The Business Plan 2012-15 is attached as Appendix 1 and details the anticipated income and expenditure over 3 financial years.
- 4.5 One of the reasons for having Statutory Trading Organisation status is that the organisation relies on a significant amount of income from external sources. As this is no longer the case it is proposed to relinquish Statutory Trading Organisation Status.

## **5.0 IMPLICATIONS**

- 5.1 Financial Implications – Annually Recurring Costs/ (Savings)

The financial implications are detailed in appendix 2.

## **6.0 CONSULTATION**

- 6.1 The Chief Financial Officer has been consulted and is in agreement with the proposals.
- 6.2 There are no human resource implications and therefore the Head of Organisational Development, HR and Communications has not been consulted.
- 6.3 There are no Legal implications and therefore the Head of Legal and Democratic Services has not been consulted.



Regeneration & Environment

Property Assets & Facilities Management

**BUILDING SERVICES UNIT**

**BUSINESS PLAN 2012- 2015**

May 2012

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# 1. Introduction

This 'Building Services Unit Business Plan' updates the 2010 – 2013 three year Business Plan previously approved by the Regeneration Committee (6th May 2010).

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.

The BSU achieved the target set for the previous consecutive three year period despite the challenges and impacts presented by the recent economic downturn.

As a consequence of a significant decline in work stream and income in year three brought about by external market forces out with its control, the level of work available was not sufficient to sustain the retained Unit's operation.

A report was submitted to the Regeneration Committee on 1st September 2011 advising of the issues and implications relating to the reduction in BSU external work stream opportunities. In light of the issues a proposal to downsize and restructure the Building Services Unit was approved.

In order to manage the significant change to the BSU Business Model the Corporate Management Team approved a report recommendation on 29<sup>th</sup> September 2011 that the Unit maintain its status as a Significant Trading Operation for the period 2011/13 and be reported as such through the Annual Accounts but that this be reviewed following preparation of the 2012/15 Business Plan.

Given the focus almost exclusively on Council work with very little outside income and the reduction in size by 1/3 it is proposed that the BSU cease being a Statutory Trading Organisation from April 2013.

As a result of the loss of external income combined with associated staff re-structuring on- costs, the Unit failed to achieve the statutory target set for 2011/12 and the statutory 3 year breakeven target.

This Plan identifies:

- The works which the re-structured 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:

- 2012/13 Budget Projection
- Building Services Unit Management Structure
- Unit overhead costs
- Potential sources of income
- Three year plan projection

## **2. Plan Period**

This Business Plan update is for three years i.e. 2012/13, 2013/14 and 2014/15. The Plan is subject to annual review and has been updated accordingly.

## **3. Main Sources of Income**

### **Sector 1.**

There is a continuing requirement to provide responsive repairs, programmed cyclical and statutory maintenance work to the Council's Property portfolio. However due to the ongoing very significant investment in the Council's property assets, the volume and value of this work cannot be guaranteed and therefore estimates are projected.

### **Sector 2.**

PAFM Minor works negotiated up to a value of £50,000 per project for Council Properties. It should be noted that proposed changes to the Standing Orders Relating to Contracts will be considered by the Policy & Resources Committee which, if approved would result in this limit being lifted. This would provide more scope for BSU to achieve minor works income.

### **Sector 3.**

Aids & Adaptations works for Inverclyde Care & Repairs Service and other works won in competitive open market tendering for both internal and external clients.

### **Sector 4.**

Electrical Testing of portable appliance equipment.

#### 4. Income Projections & Budget Source

The tables below set out projected income which could be derived from BSU fiscal **year 1** 2012/13, and thereafter **year 2** and **year 3**. This is based on the budget income and expenditure as stated in the 2012/13 budget estimates. Latest projections indicate that there may be an underrecovery in 2012/13. This is due to a potential under recovery of PAT testing income and additional wages costs as two members of staff released under voluntary severance did not leave until June 2012, resulting in unplanned wages costs being incurred.

<b>Year 1 2012/13 Income</b>	<b>Sector</b>	<b>Work stream</b>	<b>Value £000</b>
	1	Public Buildings Property Maintenance	900,000
	2	Minor Works – Tendered	451,000
	3	Internal Client	171,000
	4	Inverclyde Care & Repair Services	50,000
	5	Portable Appliance Testing Services	40,000
		<b>Total</b>	<b>1,612,000</b>

<b>Year 2 2013/14 Income</b>	<b>Sector</b>	<b>Work stream</b>	<b>Value £000</b>
	1	Public Buildings Property Maintenance	900,000
	2	Minor Works – Tendered	451,000
	3	Internal Client	171,000
	4	Inverclyde Care & Repair Services	50,000
	5	Portable Appliance Testing Services	40,000
		<b>Total</b>	<b>1,612,000</b>

<b>Year 3 2014/15 Income</b>	<b>Sector</b>	<b>Work stream</b>	<b>Value £000</b>
	1	Public Buildings Property Maintenance	900,000
	2	Minor Works – Tendered	451,000
	3	Internal Client	171,000
	4	Inverclyde Care & Repair Services	50,000
	5	Portable Appliance Testing Services	40,000
		<b>Total</b>	<b>1,612,000</b>

**Notes:**

- (a) Public Building Property Maintenance repairs are organised through an internal direct ordering system to the BSU and private Contractors. Property Assets & Facilities Management provides a number of tender opportunities to external contractors in open market competition. The intention would be for the BSU to maximise future opportunities arising from this source.
- (b) PAFM Minor Works projects suitable for the current BSU skilled trade resources have been identified for 2012/13
- (c) The BSU will continue to develop its client relationship with the Inverclyde Care & Repair Service with intent to grow Aids & Adaptations market share opportunities.
- (d) Tender opportunities from other public bodies and organisations are advertised via the Contract Scotland Public Portal website and continue to be monitored for potential opportunities suitable to the BSU's service offering.
- (e) No allowance for inflation has been built in reflecting the continued squeeze on Council finances over 2012/15.

## **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 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 apprenticeships.
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 2012/13 summarised below are based on the structure which follows.

Total Employees		834,300
Property		36,620
Supplies & Services		443,770
Transportation & Plant		57,660
Administration		22,490
Other Expenditure		11,400
Central Support		84,960
<b>TOTAL COST</b>		<b>1,491,200</b>

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Expenditure	1,491,200	1,491,200	1,491,200
Income	1,612,000	1,612,000	1,612,000
Projected Out Turn	120,800	120,800	120,800

Notes:

1. Depot Relocation

Implementation of the Corporate Management Structure - Phase 3 plan will see the Building Services Unit transferring out of Property Assets & Facilities Management Service to Environmental & Commercial Services at a suitable date on or before 31<sup>st</sup> March 2015.

The Unit is currently based at the Devol Centre, Port Glasgow and is planned to relocate to Environmental & Commercial Services, Pottery Street, Greenock following completion of the site redevelopment plan.

2. Vehicles

The unit consists of 20 no. Tradespersons, 1 no. Apprentice and 1 no. Technician with 15 no. vehicles allocated for front-line duties. Additionally, an allowance has been made for 2 no. Operational Team Leaders to have a vehicle, bringing the total to 17.

The business plan allows £57,660 fleet costs per annum at an average cost of £3,392 per vehicle. 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 in a Contractor capacity 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 Service Manager.

### UNIT MANAGEMENT TEAM

The Unit Management Team has 5 staff members comprising of:

- BSU Team Leader x 1
- Team Leaders – Operational x 2
- Technician – Electrical x 1
- Technical Assistant x 1 (Temp.)

## 8. Performance Management Measures

Performance Management Measurement - Key Process Indicators

Description	2010/11 Actual	2011/12 Actual	2012/13 Target
<b>BSU Absence Management</b>			
Management and Office Staff	1%	8%	3%
Craft & Manual Employees	3%	14%	5%

<b>Client's</b>			
PAFM Property Maintenance Response Times	88%	96%	97%

## **9. Income Source**

### **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 importance and consistency of business continuity in years 2 and 3 is recognised as a key sustaining factor of the Building Services Unit.

This section of the business Plan therefore looks at the work stream sources identified to sustain the unit in Year 1 at a turnover of around £1.612m.

### **Work Stream**

#### **1. PAFM Minor Works**

The Year 1 Plan forecasts income of approximately £622,000 from Minor Works and other internal client services tenders from within the Council. An examination of the 2011-12 spend in this area revealed an income opportunity of some £1.2m 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**

It would be unrealistic for the unit to aim to achieve all income from an internal source. The Building Services Unit recognises the potential risk of failing to secure sufficient work to ensure future commercial stability.

This Plan therefore takes cognisance of the changing dynamics and competitiveness of the external environment and the need for the BSU to secure market opportunity from this sector. Targeting key areas through engagement with other local organisations such as the Inverclyde Care & Repairs Service, Registered Social Landlords and other appropriate local public sector bodies.

The total value of income from this source cannot be accurately projected, it is however anticipated to remain stable for the three year period of the plan.

#### **3. Planned, Preventative & Reactive Maintenance Services**

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 annual income is projected to be in the region of £900,000 per annum.

Taking cognisance of the changing market place and the high standards expected of service providers, 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 of 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 recognising the impact of recession on economies across Europe and slowing market growth within the UK in both the public and private sector at national and local level, the projections show the turnover of the re-structured BSU as having the potential to achieve £1.612M per annum by winning a reasonable share of the internal and external market opportunities through competition.

### **Assumptions:**

1. Internal PAFM minor works project opportunities for 2012/13 works services which are collectively estimated to be in the region of £622,000 in value.
2. That Public Building Property repairs out with the term contracts will remain stable at £900,000 over the three year period.
3. Inverclyde Care & Repair Service, Aids & Adaptations works estimated annual value £50,000.
4. Portable Appliance Equipment Electrical Testing estimated annual value £40,000.

5. 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.

- a) PAFM Term Contract works.
- b) PAFM Work packages tendered in open market.
- c) Internal client funded works.
- d) External clients (other) i.e. local RSL's maintenance and capital works won in open market competition

This Business Plan takes cognisance of the Council's 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.

**BUILDING SERVICES TRADING ACCOUNT**

**BUSINESS PLAN 2012-215**

**PROJECTED INCOME & EXPENDITURE**

2010/11 Actual £000	2011/12 Actual £000	Subjective Heading	Approved Budget 2012/13 £000	Projected Out-turn 2012/13 P3	Estimated Budget 2013/14 £000	Estimated Budget 2014/15 £000	Statutory Position 2010/15 £000
YR 1	YR 2			YR3	YR2		
-88	437	BUILDING SERVICES STA1	-28	-3	-28	-28	

**BUILDING SERVICES TRADING ACCOUNT****BUSINESS PLAN 2012-215****PROJECTED INCOME & EXPENDITURE**

2010/11 Actual £000	2011/12 Actual £000	Subjective Heading	Approved Budget 2012/13 £000	Projected Out turn 2012/13 at P3	Estimated Budget 2013/14 £000	Estimated Budget 2014/15 £000
1,357	1,645	EMPLOYEE COSTS	834	849	834	834
13	23	PROPERTY COSTS	37	37	37	37
1,533	590	SUPPLIES AND SERVICES	444	447	444	444
81	73	TRANSPORT AND PLANT	58	58	58	58
114	104	ADMINISTRATION COSTS	107	107	107	107
7	3	OTHER EXPENDITURE	11	11	11	11
(3,384)	(2,125)	INCOME	(1,612)	(1,602)	(1,612)	(1,612)
(279)	313	BUILDING SERVICES NET EXPENDITURE - CASH TARGET	(121)	(93)	(121)	(121)
128	106	CAPITAL CHARGES	81	81	81	81
63	18	IAS19 PENSION COSTS	12	12	12	12
(88)	437	BUILDING SERVICES STATUTORY POSITION	(28)	0	(28)	(28)

3 YEAR ROLLING PERFORMANCE	Projected Performance 2010/11 - 2012/13	Projected Performance 2011/12 - 2013/14	Projected Performance 2012/13 - 2014/15
	YR1	YR2	YR3
BUILDING SERVICES STATUTORY POSITION	349	409	(56)