

Report to the Cabinet

Report reference: C-015-2009/10

Date of meeting: 13 July 2009



**Epping Forest
District Council**

Portfolio: Legal and Estates

Subject: External Review of the Estates and Valuation Service

Responsible Officer: Mike Tipping (01992 564280)

Democratic Services Officer: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) That following consideration of the external review and report by CIPFA consulting the conclusion that best value will be achieved by keeping the Estates and Valuation Service in house be accepted and agreed subject to there being no increase to the current establishment costs.**
- (2) That approval be given to filling the vacant post of Principal Valuer and Estate Surveyor (post CEV/01).**
- (3) That approval be given to filling the vacant post of Valuer and Estates Surveyor (part time 21.6 hours per week - Post CEV/03) by the appointment of a full time graduate trainee subject to there being no increase to the salary costs for the post.**

Executive Summary:

An external review of the Estates and Valuation Service within Corporate Support Services has been undertaken by the consulting arm of the Chartered Institute of Public Finance and Accountancy (CIPFA), known as CIPFA Consulting. The brief was to consider various options and make recommendations on how the service is to be provided in the future. The options included retaining the service in house or outsourcing either in part or in total. The report concludes and recommends that best value will be achieved by retaining the service in house.

Reasons for Proposed Decision:

To achieve best value and optimise efficiency in the management and development of the commercial portfolio in accordance with the Council's strategy as contained in the Asset Management Plan.

Other Options for Action:

To not accept the conclusions in the external report and decide on an alternative course of action. There would appear to be no logic in doing this given the expertise and experience of CIPFA in conducting this type of review.

Report:

1. Against a background during 2008 of a long term staff absence, difficulties in recruiting to a part time Valuers post and the departure of the Principal Valuer and Estates Surveyor to a new post with another authority the Portfolio holder for Corporate Support and ICT Services (now Legal and Estates) requested that a comprehensive review be carried out of how the service should be provided in the future.

2. As an interim measure whilst the review was undertaken it was agreed that the two vacant posts would be covered by agency staff to ensure that a backlog of work, mainly caused by the long term staff absence did not become any greater.

3. The member of staff on long term sickness absence has now returned to work and since the section has been fully staffed albeit with agency cover the backlog of work, particularly on rent reviews and lease renewals has pretty much been eliminated.

4. This however has only been possible because of a reduction in other work, notably the absence of any major land sales or acquisitions and a reduction in the number of council house sale valuations largely as a result of the current economic situation.

5. The consulting arm of the Chartered Institute of Public Finance and Accountancy (CIPFA) were commissioned to conduct a review. Their detailed report was presented to Cabinet at their meeting on 8 June 2009. John Plumb from CIPFA, the author of the report was in attendance to answer member's questions about the report.

6. In summary the review found that by comparing likely costs for operating an outsourced service with a reduced core of retained staff would be more expensive than retaining the service in house.

7. The review also concluded that for the size of the commercial portfolio managed by the Council and the income this generates, in excess of £4 million in 2008/09, the section is under resourced compared to other authorities with comparable portfolios and income (mainly City Councils and London Boroughs). The suggestion was that an establishment of 5 to 6 Full Time Equivalent (FTE) professional staff with administrative support was the required resource level rather than the current establishment of 4.4 FTE including administrative support.

8. In considering the report the complexity and diversity of the Council's commercial and industrial portfolio should not be underestimated as evidenced by the following statistics taken from the Business Plan for 2009/10. The portfolio is made up of 297 properties consisting of:

• Shops (some with associated flats)	136
• Public Houses	6
• Workshop Units	18
• Doctors/Dentist Surgeries	5
• Petrol Filling Station	1
• Tennis Centre	1
• Retail Warehouse	1
• Golf Driving Range	1
• Commercial Starter Units	67
• Airfield with commercial lettings and retail market	1
• Industrial Premises	56
• Business Park	1

- Golf Course 1
- Football Ground 1
- Supermarket and Associated Shops 1

9. There are also 37 operational property as follows:

- Offices 3
- Leisure Centres 5
- Museum 1
- Public Toilets (traditional) 1
- Public Toilets (automatic) 6
- Allotment Sites 7
- Recreational Lettings 6
- Depots 4
- Nursery 1
- Vacant/surplus land sites 3

10. The Council's operational and non-operational land and properties (excluding HRA Housing Stock) as at 1 April 2008 has a book value of around £91.44 million. This is composed of approximately £39.54 million operational and £51.9million non-operational land and buildings.

11. If the Council decides, during the current recession, to change its investment strategy with an increased focus on property, numbers and values may well increase and the complexity become even greater both in terms of the advice required and the diversity of investment. The development of a strategy for the future use of North Weald Airfield will in itself constitute a significant and complex piece of work which will require in house expertise as well as specialist external advice to enable progress to be made.

12. Cabinet at its meeting on 8 June considered the CIPFA report and resolved as follows

“(1) That the current position of the Estates & Valuation Service be noted;

(2) That the recommendations made by Chartered Institute of Public Finance & Accountancy as part of the external review of the Estates & Valuation Service be noted;

(3) That a further report regarding proposals for the future of the Estates & Valuation Service be submitted to a subsequent meeting of the Cabinet for consideration; and

(4) That the current agency staff members within the Estates & Valuation Service be retained until such time as the proposals for the future of the Service are implemented.”

13. In considering the report a question was asked about how CIPFA arrived at the conclusion that retaining the service in house was the best option in terms of value for money and what evidence could be produced to support that conclusion.

14. CIPFA has responded by saying that the conclusions were reached taking into account several factors:

(a) looking at authorities with a similar portfolio of assets and similar annual rental income;

(b) using accepted conventions (percentage fees and ratio of salary costs to income generated) for calculating likely external costs;

(c) the proportion of the existing service that could be outsourced (once the core element that would have to be retained had been separated out) which amounted to one and a half posts;

(d) discussion and evaluation with professional colleagues within the CIPFA consulting team using the collective experience over many years of conducting similar reviews for other public organisations; and

(e) the likely one off costs of preparing a specification, contract documents, conducting a tender exercise, tender evaluation and award of contract.

15. Whilst the CIPFA report was suggesting that the existing structure of the Estates and Valuation Section was under resourced compared with other local authorities with similar sized portfolios and levels of income it is not proposed at this time that the establishment of the section should be increased.

16. However the future of two vacant posts embargoed from being filled on a permanent basis pending the outcome of the external review and currently being covered by agency placements does need to be resolved.

17. The proposal is that post CEV/01 Principal Valuer and Estates Surveyor now be filled on a permanent basis. The CIPFA report made a clear case for the retention of this post on the establishment irrespective of whatever policy decision is made regarding the future of the service.

18. Two previous attempts to fill the part time (21.6 hours per week) post have been unsuccessful following advertisement in the appropriate professional journals.

19. The proposal is that a graduate trainee working towards membership of the RICS be appointed to this post on a full time basis. This can be achieved within the current budget for the post. It is likely to take a minimum of two years for an incoming trainee to obtain the RICS qualification.

20. The appointment of a graduate trainee on a temporary contract for six months has already taken place to replace the agency placement which in itself will result in reduced costs over what the agency was being paid.

21. If the conclusion in the external report to keep the service in house is not approved or adopted Cabinet is asked to determine what alternative course of action it wishes to take.

Resource Implications:

Finance

Filling of two vacant posts on the establishment within existing budget provision.

Legal and Governance Implications:

Compliance with Asset Management Strategy to achieve value for money, optimal use of assets and maximise income from those assets.

Safer, Cleaner and Greener Implications:

N/A.

Consultation Undertaken:

By CIPFA of other local authorities for comparison information contained in the report.

Background Papers:

CIPFA Consulting report, previously published on the June 2009 Cabinet agenda.

Impact Assessments:

Risk to maintaining and increasing income from the commercial portfolio if not managed in the most efficient and cost effective way.

There are no equalities issues arising from this report.