



Comptroller and Auditor General
Report on Value for Money Examination

Office of Public Works

The Building Maintenance Service

December 2002

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This report was prepared on the basis of information, documentation and explanations obtained from the public bodies referred to in the report. The draft report was sent to the Office of Public Works and the Department of Finance and comments were requested. Where appropriate, the comments received were incorporated in the final version of the report.

Report of the Comptroller and Auditor General

The Building Maintenance Service

I have, in accordance with the provisions of Section 9 of the Comptroller and Auditor General (Amendment) Act, 1993, carried out a value for money examination of the operations of the Building Maintenance Service of the Office of Public Works.

I hereby submit my report on the above examination for presentation to Dáil Éireann pursuant to Section 11 of the said Act.

A handwritten signature in black ink, appearing to read 'John Purcell', with a large, stylized initial 'J' and 'P'.

John Purcell
Comptroller and Auditor General

13 December 2002

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Summary of Findings

Summary of Findings

The Building Maintenance Service (BMS) carries out general maintenance work and specialised restoration and repair work on State property. The BMS is part of the Property Maintenance Service of the Office of Public Works (OPW) which also includes a national network of professional staff who oversee the condition of State property and who advise occupiers of State property on maintenance and refurbishment requirements.

A summary financial statement on the operation of the BMS in 2000, published in the OPW's annual report for that year, indicated that the BMS had incurred a loss of €4.3 million on its activities in Dublin. An examination of the management and operation of the BMS in the period 1998-2001 was carried out to establish the reasons for the reported loss.

Results of Trading

My examination revealed that the accounts produced did not isolate the true results of the BMS's business with government departments and offices. This was because it included notional income and related costs of work commissioned by the OPW itself. Since two thirds of all transactions were internally commissioned on a non-chargeable basis, the reported losses on these activities were notional.

The revised accounts drawn up by my staff revealed losses in all years between 1998 and 2001 on work performed for government departments. Some of these losses were due to chargeout rates not being maintained fully in line with the cost base. However, the bulk of the loss was due to errors in invoicing and a failure to collect debts. The cumulative losses for the four years were estimated at €5.5 million.

The lack of functionality in the computer billing and management information system (which cost €600,000 to develop), coupled with operational failures of the system by BMS staff, were the main reasons why work was not invoiced.

The fact that the BMS incurred a trading loss on its operations does not mean that taxpayers incurred a loss of that amount. All of the BMS's charged clients are public sector bodies, so the trading losses represent, in the first instance, a failure to charge other central government agencies the full cost of work carried out.

Efficiency of the BMS

There has been a long-standing aim within both the OPW and the Department of Finance that the BMS should be operated on a commercial basis competing with private sector contractors. The examination found that

- Competitive forces were operating between the BMS and private sector providers only to a very limited extent in the period 1998-2001.
- In its relations with its clients, the BMS has not adopted standard commercial practices, such as competitive bidding for jobs, providing fixed price quotations for the cost of work and signing off on work done.

Around 63% of BMS expenditure relates to staff costs. There appears to be scope to improve efficiency levels through better management of staff downtime and reductions in the levels of sick leave. Furthermore, the BMS deploys skilled tradesmen for even minor maintenance jobs, unlike its

private sector competitors who use multi-skilled 'handymen' for less complex tasks. There is scope for increasing efficiency in the BMS by developing multi-skilled general services operatives and reducing job demarcation.

Management of the Maintenance Function

An overall inspection/advisory role in relation to the maintenance of all government property was assigned by the Department of Finance to OPW in 1994, but the Property Maintenance Service only started to conduct the necessary surveys and draw up prioritised maintenance schedules in 2000.

A consultant's review of the BMS in 1998 found that it did not have clear business objectives. Although the OPW's statement of strategy for 1998 - 2000 identified a timetable for development of management systems for all its business units, these have not been developed in the Property Maintenance Service. As a result, the BMS is still operating without a clear business mandate.

Meaningful measures of performance should be drawn up for the Property Maintenance Service incorporating appropriate private sector benchmarks for the BMS in order to assess its efficiency and effectiveness.

Future Direction

The OPW has recently drawn up proposals for the future role and operation of the BMS. The main changes proposed are

- The BMS would cease to carry out work for its charged clients. Instead, the occupiers of State property would enter into 'measured term contracts' with private sector maintenance providers. Until these are in place, the BMS will continue to provide services to paying clients.
- Most BMS staff will be assigned to work on particular properties and will carry out minor works as required. No charges will be levied in respect of this work.

It is not possible to predict whether the proposed arrangements are likely to result in better value for money in the absence of any costed justification for the proposals. Of particular concern would be whether work on buildings exempted from charges would be sufficient to absorb the entire existing workforce and, if not, how surplus staff would be cost effectively deployed.

The future arrangement for the maintenance of government property is important not just to the OPW but to all departments and offices. There is by no means a consensus on the ideal delivery method. Recent reports reveal a division of opinion about the relative merits of devolution of responsibility for maintenance to departments, and of its centralization, which has been a recent trend in some larger Irish organisations and in other public administrations.

Consequently, indicative cost impacts should be determined by pilot testing the new arrangements in a small number of representative departments and evaluating the outcome before any definitive commitment is made.

The Building Maintenance Service

1 Introduction

1.1 The Building Maintenance Service (BMS) is part of the Office of Public Works (OPW). It carries out general maintenance and some more specialised building and repair work on State property, including office accommodation for government departments and many architecturally and historically-important State-owned buildings.

1.2 The BMS employed a total of 254 staff at the end of 2001 — 240 based in Dublin and 14 based in Cork. About half of the employees are skilled and experienced tradesmen and craft workers, including bricklayers, carpenters, electricians, glaziers, joiners, painters and plasterers. Around a quarter of the staff are general operatives, with the remainder working in supervisory and administrative functions.

1.3 The estimated cost of running the BMS operations in Dublin in 2001 was around €13.4 million. The cost of BMS operations in Cork in 2001 is estimated at around €600,000. This report deals only with maintenance services in the Dublin area.

Maintaining State Property

1.4 The portfolio of property held by central government departments and agencies consists of almost 2,000 separate properties, located throughout the State. In total, the buildings in the portfolio amount to over 1 million square metres of space. OPW has valued the properties collectively at €2 billion to €2.5 billion.

1.5 The properties held by central government vary considerably in size and use — from large office blocks designed to accommodate hundreds of administrative workers and premises providing extensive public service areas, to small Garda stations located in rural areas. They also include many buildings of importance in the national built heritage that remain in use for government business, such as Government Buildings, Dublin Castle and Iveagh House.¹

1.6 Much of the property in the portfolio is owned by the State, but it also includes property held by the State on long-term leases. Typically, leases specify that the property in question is to be maintained to a specified standard.

1.7 The Department of Finance set out detailed procedures in relation to the maintenance of government property in 1994². Under the guidelines, primary responsibility for the maintenance of State property rests with the OPW. Central government departments and agencies have a role in relation to the commissioning of maintenance work on the properties they occupy and are required to pay for the work they commission from their own budgets.

1.8 The total amount spent by the OPW and by occupying departments and offices on the maintenance of central government property in 2001 is estimated at around €79 million.

1.9 The Department of Finance guidelines allow the OPW and occupying departments and agencies to engage private sector contractors to carry out required maintenance work. Alternatively, they may commission the BMS to do the necessary work, so long as this is the

1 State-owned heritage buildings and property used primarily as visitor attractions are managed and maintained by Dúchas. Examples of such properties are the Phoenix Park, St Stephen's Green, Rathfarnham Castle and Kilkenny Castle.

2 Department of Finance Circular 1/94, Revised procedures governing the functions of Departments in relation to maintenance, fitting out and refurbishment works and the purchase and supply of furniture.

best value (most economic) option available. This implies that the BMS is in competition with private sector contractors for work on the maintenance of State property.

Background to this Examination

1.10 The OPW has adopted a general management objective of operating its services — including those provided by the BMS — in a commercially-minded way, within the particular constraints which apply to bodies operating in the public sector.

1.11 In its statement of strategy for the period 1998-2000, the OPW set out a range of activities and strategies to be pursued to develop and underpin more-commercially minded operation of its business units. These strategies included

- encouragement of more commercial practices and new arrangements with the private sector, while continuing to meet public sector requirements
- publication of detailed financial accounts for each business unit and for cost centres within business units, based on standard private sector accounting principles to facilitate comparison of performance with that of the private sector
- benchmarking of performance (both financial and non-financial) against private sector companies and practices employed by private sector competitors in similar business areas
- adoption of relevant best practice from the private sector
- ISO accreditation of the quality and professionalism of the systems in place to deliver services
- implementation of Customer Service Action Plans for each business unit.

1.12 In 2000, consultants were commissioned to carry out an overall assessment of the managerial, staff and other resources necessary to ensure effective delivery of OPW's strategic and business mandates. One of the recommendations in the consultants' report³ was that OPW services, such as those provided by BMS, should be outsourced in the longer term.

1.13 OPW attempts to gauge the financial performance of BMS by comparing its costs against the income that would be generated on a standard chargeout basis for all maintenance work.⁴ Accordingly, the OPW's annual report for 2000 included a summary financial statement on the Dublin operations of the BMS.⁵ No charge is made for services to government departments outside Dublin and consequently the costs and income of such operations are not reported in the financial statements.

1.14 The summary financial statements reported that the BMS incurred a loss of around €4.3 million on its operations in 2000. About one third of the income included in the account relates to charges it levies on departments and agencies to which the BMS provides services; the balance of the income is notional and relates to work on OPW's own buildings or heritage type buildings. While the funds flow is circular, even where income is collected from government departments, the loss reported for the year was significant. I consequently deemed it appropriate to examine the background to the reported loss.

3 Farrell Grant Sparks Consulting Ltd, *Office of Public Works: Strategic Assessment*, September 2000.

4 The basis of this chargeout is the recovery of direct expenditure (materials and contracted services) and a fixed chargeout rate designed to recover other costs including labour.

5 The OPW's Annual Report for 2000 was published in mid 2001. The summary financial statement for the BMS is reproduced in Appendix A.

Objectives

1.15 This examination was carried out to review the management and operation of the BMS in the period 1998-2001 and was restricted to the operations of the BMS in Dublin. (References hereafter to the BMS relate to its Dublin operations only, unless otherwise indicated.)

1.16 Specifically, the examination sought to address the following questions.

- To what extent has the BMS, and/or the OPW, developed a suitable organisation and the necessary planning and reporting structures to support the effective operation of the BMS business on a commercial basis?
- To what extent does the BMS provide its services economically and efficiently?

Structure of the Report

1.17 Chapter 2 looks at the organisation, business planning and financial position of the BMS. Chapter 3 examines the underlying competitiveness of the BMS's operations. Chapter 4 outlines current proposals by the OPW for the future role and operation of the BMS.

Examination Methodology

1.18 Work on the examination was carried out by staff of the Office of the Comptroller and Auditor General.

1.19 Information relating to the performance of the BMS was obtained from a review of OPW records and documents as well as from interviews with relevant personnel in the OPW and in Newmarket Partnership Ltd, a private sector accountancy practice engaged on contract to provide some accounting services for the BMS.

1.20 Data in relation to the period 1998-2001 was extracted from the BMS's database which records details of time and material used by the BMS, individual job details and customer invoices. The data was analysed to provide information about the use of staff time, the number and type of jobs carried out, the cost of jobs and the sources of the BMS's income. In addition, summary statements of the estimated financial position of the BMS were prepared for each of the years 1998 to 2001, based on that analysis.

2 BMS Organisation and Business Management

2.1 The OPW has clearly stated its intention that in providing maintenance services, the BMS should operate as far as possible along commercial lines. This chapter sets the operation of the BMS in the context of the OPW's responsibilities in relation to the maintenance of State property and how the OPW is organised to meet those responsibilities. It also examines the extent to which the management information and financial accounting systems in place in the BMS in the period 1998 to 2001 encourage and support commercially-minded operation within the BMS.

OPW's Roles in the Maintenance of State Property

2.2 Title to all property owned by central government is vested in the OPW. It also has primary legal obligation on behalf of the State under property leases and is responsible for allocating property to departments and agencies. OPW is therefore formally accountable for ownership and management of State property, including compliance with lease terms. Traditionally, professional knowledge, expertise and manpower related to State property functions were all located centrally in the OPW.

2.3 The central organisation of property functions was intended to achieve good value for money, particularly in the area of property procurement, where the scale of OPW as a purchaser gives it considerable leverage in the property market. Centralisation also facilitated the development of an expert approach to property functions, including design, project management and lease negotiation, which can be risky to manage where staff are not expert on property issues.

2.4 In the 1980s, the occupiers of State property argued against the centralisation in OPW of responsibility for the property maintenance function. OPW was felt to be unresponsive to the needs of the users of accommodation. In the late 1980s, the Department of Finance delegated various functions in relation to property maintenance to the occupying departments and agencies. However, this delegation was not considered a success by the Department. It found that the level of expenditure on maintenance increased significantly, essential property maintenance work was neglected in some cases, considerable differences in maintenance standards arose and there were examples of inadequate planning leading to substantially higher costs.

2.5 The Department of Finance set out revised procedures in relation to the maintenance of central government property in January 1994. The OPW was given full responsibility for all maintenance, fitting-out and refurbishment work on selected important State buildings.⁶ Departments and agencies were allowed to commission and pay for re-fitting, refurbishment and maintenance work on the properties they occupied, up to an expenditure limit of €63,500 for each individual project. They were also given responsibility for commissioning and paying for all required painting and decorating. The OPW retained responsibility for more expensive maintenance, fitting-out and refurbishment work in those properties.⁷

2.6 In addition to its direct responsibility for commissioning and paying for maintenance work on certain buildings, the Department of Finance also assigned an overall inspection/advisory role to the OPW in relation to the maintenance of all government property. The Department specified that OPW should

6 The specified buildings are listed in Appendix B.

7 The Department of Finance circular also specified a small number of important buildings occupied by departments and agencies, in respect of which the OPW should not charge for maintenance work it carried out. These buildings are also listed in Appendix B.

- inspect all government property at least once every two years
- following inspection, provide occupiers of government property with a comprehensive maintenance schedule setting out, in detail and in order of priority, the maintenance works which should be carried out in the relevant occupied buildings, and report on works already done
- carry out work for occupiers on a full repayment basis, provided that the work can be carried out more efficiently and cost-effectively by them than by using a private contractor
- carry out required and notified maintenance work which occupiers fail to carry out, and recover the cost of the work from the occupiers
- recover from the relevant occupier(s) any costs of dilapidation claims by lessors arising from lack of required maintenance of leased buildings
- provide occupying departments and agencies with lists of recommended maintenance contractors, up-dated annually
- provide appropriate training and guidance for staff in departments and agencies who are responsible for property and accommodation matters.

2.7 While the arrangements put in place by the Department of Finance in 1994 continue to operate, the approach to the delivery of maintenance services has been examined in two policy documents which took somewhat different views on the devolution of responsibilities to departments.

- In 1996, *Delivering Better Government*⁸ recommended removing the spending limits on maintenance by occupying departments.
- An interdepartmental committee set up to look at property issues, which reported in February 1998⁹, noted that a number of large Irish organisations and other public administrations were reducing the level of devolution of responsibility for maintenance and returning to more centralised arrangements. Notwithstanding this, the committee recommended increases in the devolved spending limits, but with the establishment of standing committees between occupying departments and the OPW to consider all maintenance, fit out and refurbishment projects costing over €63,500.

Strategic Management of the BMS

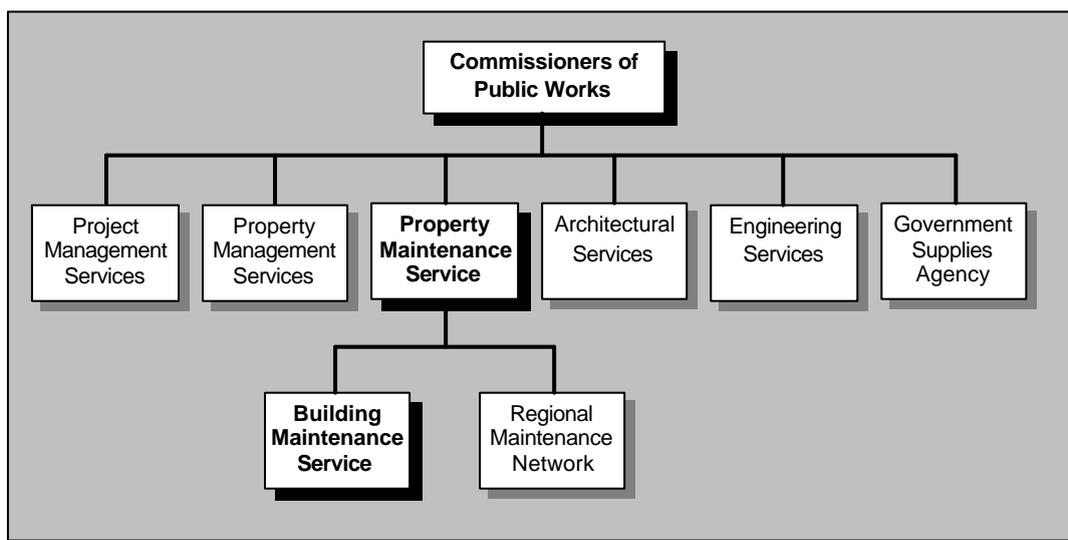
2.8 The OPW is organised as six separate business units, divided along the lines of the Office's main functions (see Figure 2.1). The Property Maintenance Service business unit includes the BMS as a sub-unit.

2.9 Architects and technical staff in the regional maintenance network of offices carry out inspection and advisory functions in relation to property maintenance on a regional basis. They also commission private sector contractors or the BMS to undertake maintenance work on buildings for which the OPW is responsible and act as commissioning agents on behalf of departments and agencies for smaller maintenance work projects.

8 *Delivering Better Government*, Second Report to Government of the Co-ordinating Group of Secretaries, May 1996.

9 Financial Management Working Group: Report of Sub-Committee on Property Issues, 5 February 1998.

Figure 2.1 Location of the Building Maintenance Service within the organisation of the Office of Public Works, 2001



2.10 The structure and functioning of the Property Maintenance Service effectively brought together in one business unit the two main roles in relation to property maintenance envisaged for the OPW in the 1994 Department of Finance guidelines i.e. the inspection/advisory role and the direct provision of maintenance services.

2.11 A consultancy review of the BMS was carried out for the OPW in 1998. The report of the review (the Murray report) set out a number of recommendations for specific operational and organisational changes for the BMS. Following the report, the organisation of the BMS was changed but most of the recommended operational changes were not adopted.

2.12 The Murray report concluded there was a pressing need to develop a comprehensive strategic plan for the BMS. The review recognised that it would take time to develop and get agreement for such a plan and recommended a series of interim initiatives. It pointed out that there was a need to clarify how the BMS should operate within the Property Maintenance Service business unit and how it should relate to the other OPW business units. It suggested that OPW senior management should articulate a clear mandate for the BMS as to what is the precise nature of its business and how it should operate. A formal mandate along these lines has not yet been given to the BMS.

2.13 The OPW has stated that the quantity of maintenance service required over the period 1998-2001 expanded to such an extent that no amount of change at the BMS could generate the capacity necessary to cope with all the demands. Accordingly, a strategic decision was taken to develop a supplementary capacity provided by the private sector to service much of the vastly increased stock of non-heritage buildings. This was designed to allow the BMS to focus its resources and expertise on servicing the major buildings of the State.

Development of Property Maintenance Service as a Business Unit

2.14 The OPW set out in its 1998-2000 statement of strategy a timetable for development of management systems in the Property Maintenance Service to allow the business unit to operate in a commercial way. The extent to which these systems have been implemented has been limited, as indicated in Figure 2.2.

Figure 2.2 Achievement of time targets for implementing management systems in the Property Maintenance Service business unit

Management element	Target implementation date	Outturn
Reorganisation of maintenance function	June 1999	Reorganisation of BMS completed in 1999. Further reorganisation of the BMS is now proposed, in the context of more general reorganisation of the Property Maintenance Service (see Chapter 4).
First full accounts	December 1999	Accounts for BMS published for 1998 and for 2000. No accounts for Regional Maintenance Network or for Property Maintenance Service as a whole
Benchmarking	December 2000	Not achieved
ISO qualification	December 2000	Not achieved
Quality customer service plan	March 1999	Not achieved

Source: OPW Statement of Strategy 1998-2000

2.15 Although the Property Maintenance Service has existed as a business unit since at least 1996, it has not yet produced a formal business plan, either for the unit as a whole or for the BMS. As a result, the BMS operates in a poorly defined relationship with the Property Maintenance Service.

Development of the BMS as a business centre

2.16 The Murray report proposed a revised operating structure for the BMS. Specifically, it stated that if the BMS is to be managed successfully, it required that

... the support functions of finance and personnel (should be) an integrated part of the management of BMS, (be) staffed with competent personnel with the requisite skills and operate on a full-time basis.

2.17 Insofar as it continues to function within the Property Maintenance Service, the integrated management structure for the BMS envisaged by Murray has not been put in place and there is no formal separation of the BMS from the other functions of the Property Maintenance Service. The main differences between the current structure of the BMS and that recommended in the Murray report relate to management of the BMS and the location of the finance function. The OPW has encountered difficulties in staffing the finance function in relation to the BMS. A qualified accountant on the staff of the OPW was assigned full-time to the function, and was engaged in the development of the BMS's accounting system and management reports on its operations. However, the accountant left in November 1999 and was not replaced. Production of management reports ceased at that point and no BMS financial accounts for 1999 were published.

2.18 Since April 2000, Newmarket Partnership Ltd, a private sector consultancy firm, acts in a limited advisory role in relation to BMS financial matters, reporting to the Head of the Property Maintenance Service business unit, rather than as financial controller of the BMS, reporting to its Director.

Financial Performance of the BMS

2.19 Because the BMS lacks a business plan or performance agreement with OPW management, it is operating without clear objectives and has no specific output or outcome targets to achieve. It has, however, attempted to account for its activities. Financial statements have been published for 1998 and 2000 which compare the estimated income that would have been generated had they charged all their clients for their services. These statements are deficient to the extent that

- Income is based on standard chargeout rates which were not adjusted in line with the cost base.
- Notional income, similarly calculated is included for services for which the OPW is itself responsible and which represents about two thirds of activity.
- Errors occurred in the estimation of income.

Consequently, these statements are not a reliable indicator of the financial performance of the service. No financial statements were published for 1999 or 2001.

2.20 The financial statement for 2000 indicated that the BMS had incurred a loss of around €4.3 million. After the publication of its annual report for 2000, the OPW recognised that there were serious errors in the financial statement. These came about because of major problems with the operation of the BMS's management information system. While data entry appears to have operated satisfactorily, financial and performance reports generated by the system are incomplete and unreliable. The nature and origin of these problems is outlined in Figure 2.3.

2.21 The main effect of the problems with the BMS data system was a significant understatement of the income (both charged and notional) from work carried out. In some cases, the invoices issued to departments and agencies did not include charges for all the work done; in other cases, no invoice issued. Similar problems arose in the recognition of notional income associated with work done on exempted buildings or OPW's own buildings. As a result, the BMS's reported turnover for 2000 was significantly lower than it should have been, given the basis of accounting being followed.

2.22 Problems with deriving reliable reports from the information system have continued with the result that the BMS has been unable to generate reliable financial data in relation to its operations in the period 1998 to 2001.

Financial Performance 1998 to 2001

2.23 Recognising the deficiencies in the accounts, a revised set of financial statements were prepared by my staff in the course of this examination. Those financial statements were prepared on the following basis

- All notional income was eliminated.
- The potential income from chargeable work was, thus, isolated.
- This potential income was adjusted to take account of bills not issued and of bad and doubtful debts.

The result, which is set out in Figure 2.4, indicates that a significant loss occurred in each year of operation between 1998 and 2001.

Figure 2.3 Development of a management information system for the BMS

In 1995, the OPW recognised that its existing computer systems did not capture and report the kind of information required to manage the BMS along commercial lines. OPW management decided that a new computer system was required which would record the time and materials used on individual BMS jobs. The new system was also intended to produce the payroll file and provide invoices for chargeable clients as well as a range of financial and management information.

The system has been installed in the BMS's Dublin units only.

System Development

A project team — consisting of BMS staff, OPW IT Section staff and consultants from Deloitte and Touche — was established to oversee the project.

Following a public tendering competition, the project team identified a software package called **Visibility** — used mainly in manufacturing operations — as the option that most closely met the requirements for the new system. However, the team recognised that a significant level of customisation of the package would be required to adapt it to suit the BMS's operations.

The project team worked on the basis that existing BMS work practices should not be altered in order to avoid any industrial relations problems in the BMS. As a result, modifications of the software were required. Most of the customisation requirements related to the payroll module in **Visibility**. These were required to cater for a large number of pay and expense elements which make up the total remuneration of BMS employees.

Customisation and implementation of the management information system was completed in April 1996. The extensive customisation in the implementation of the system has meant that each subsequent upgrade of the BMS system has also required considerable customisation. These upgrades had to be carried out to ensure continuing support of the system.

The facility to generate detailed management information reports was viewed as an important function of the BMS system from the outset. **Visibility** had an in-built report generator capable of producing a large number of standard reports. These were mainly lists of the data contained in the database rather than the kind of analytic and summarisation reports the BMS required for management purposes e.g. reports on labour productivity and utilisation of staff time. A separate report generator software package — called **Impromptu** — was purchased and installed in conjunction with the database system to produce the required reports. However, the combined system has never been capable of producing the kind of management reports that were expected.

The total direct cost of the BMS computer system to date is approximately €600,000. Of the total, around €280,000 was spent in getting the system live, with almost half of this spent on consultancy. The balance of the cost relates to software support and the upgrades, including making the system Euro-compliant.

Maintaining and Operating the System

Inputting of daily job and work time records and materials purchases has continued since the BMS management information system was implemented in 1996. Data is entered from timesheets recording the time each BMS employee spent on individual jobs or on other activities each day. Invoices from suppliers of materials and outsourced services are also coded with the relevant job number.

When the management information system was implemented, the financial accountant in the BMS was appointed as system administrator. He had overall responsibility for the operation and administration of the system and received formal training for the role. This was regarded as an essential requirement to ensure the system was adequately operated and supported.

The BMS accountant left the OPW at the end of 1999, and was not replaced. It was intended that operation and maintenance of the system would be carried out by the existing administrative staff, with periodic validation of the results by external accountants. However, the administrative staff received no formal system administration training and the accountants were not appointed.

Problems with the Management Information System

Problems were identified with the operation of the BMS system in 2000 when there was a very significant and unexpected decrease in the reported turnover figures for July and August. This was not associated with an apparent decrease in the amount of work carried out by the BMS in those months. The OPW asked Newmarket Partnership (who were already engaged in other accountancy work for the OPW on a consultancy basis) to examine the problem. On investigation, Newmarket discovered that the system had produced no invoices for some of the jobs carried out and had significantly underestimated BMS turnover figures.

In September 2000, Newmarket reported to the OPW that system documentation explaining the underlying database design or structure had not been created during the system development and customisation process. They concluded that, without knowledge of the underlying structure and relationships, it would be extremely difficult to establish the reason for the errors in computation of invoices and turnover figures and how they might be overcome, or to establish the time period over which the problem had persisted.

Newmarket asked the company that carried out the software customisation — and which still provided ongoing system support — to initiate immediately a detailed system audit and to provide comprehensive system documentation. However, in February 2001, the software company informed the OPW that they were no longer in a position to provide system support nor could they provide the requested system documentation.

In the course of this examination, the original data records created by the BMS through data input were extracted and analysed in detail. The results of the analysis were compared with the reports produced by the management information system. The analysis suggests that the main reason the system generated unreliable or incorrect reports and invoices related to occasional failures by BMS staff to carry out all the necessary periodic system routines designed to ensure full and accurate reporting for each time period. Furthermore, the absence in the management information system of any reconciliation or auditing report facility prevented staff and management from knowing quickly when the automated system processes — such as invoice generation and turnover estimation — had failed to operate correctly.

The OPW is currently considering whether there is a requirement for a completely new management information system for the BMS and/or how the system can be integrated with the system required for the Property Maintenance Service. In the meantime, the BMS is continuing to operate the present system for work recording, payroll and supplier payment purposes, and for invoicing clients.

Figure 2.4 Estimated trading outturn projections for the Building Maintenance Service, 1998-2001

	1998	1999	2000	2001
	€000	€000	€000	€000
Total expenditure	10,168	10,765	10,629	13,389
Less: cost of work done for the OPW^a	6,625	7,111	7,057	9,178
Cost of sales	3,543	3,654	3,572	4,211
Potential income^b	3,269	3,769	3,428	3,853
Potential profit/(loss)	(274)	115	(144)	(358)
Less				
- Invoices not issued	-	452	1,032	265
- Bad and doubtful debts^c	170	419	225	325
Loss for year	(444)	(756)	(1,401)	(948)

Source: analysis by Office of the Comptroller and Auditor General; see Appendix C.

Note: a Work done by the BMS on exempted buildings and OPW's own buildings.

b Income earned from work done for departments and agencies which are charged for BMS services. The extent to which this income was actually collected is examined in Chapter 3. It is calculated on the basis of set chargeout rates.

c Bad and doubtful debts is a provision arrived at by making full provision for all debts not collected at April 2002 in respect of the years 1998-2000 and estimating the provision for 2001 on the basis of historical collection performance.

2.24 Some of this loss was due to chargeout rates not being maintained fully in line with the cost base. However, the bulk of the loss was due to the failure to process invoices and collect debts.

2.25 The reasons underlying the revised trading outturn projections are explored in more detail in the next chapter.

2.26 The fact that the BMS incurred a trading loss on its operations does not necessarily mean that taxpayers incurred a loss of that amount. All of the BMS's charged clients are public sector bodies, so the trading losses represent, in the first instance, a failure to charge other central government agencies the full cost of work carried out.

Conclusions

2.27 There has been a long-standing aim within both the OPW and the Department of Finance that the BMS should, as far as possible, be operated on a commercial basis and in competition with private sector contractors. However, many of the necessary organisational changes and management systems needed to allow or require the BMS to operate commercially have not been put in place.

2.28 The BMS has no clear objectives or targets about how it expects to perform in financial terms nor does it have a clear mandate within which such objectives or targets can be developed. OPW and Property Maintenance Service management should urgently set financial performance

targets for the BMS as a precursor to developing a strategic approach towards achieving its mandate.

2.29 The BMS's existing management information system developed at a cost of €600,000 does not provide reliable performance or financial information, partly because of the design of the system and partly because it has not been operated properly. As a result, BMS management is severely hampered in knowing how its business operates and in identifying how performance could be improved. The BMS was also not in position to produce accurate accounts for its activities.

2.30 After adjustment for errors and changes in the form of the financial statements to reflect better the work of the BMS, revised financial statements indicate that the BMS incurred losses in each of the years 1998-2001 on its external trading. These losses resulted in corresponding undercharges in the Votes of government departments but no net loss was borne by the State because they are inter-departmental transactions.

2.31 The main cause of the losses was attributable to a failure to issue accurate and complete invoices and to collect debts.

3 Competitiveness of BMS Maintenance Work

3.1 Like any other business entity that is expected to operate in a commercial way and in a competitive environment, the BMS needs to achieve a range of operational objectives if it is to avoid making financial losses on its business activities. These objectives include the need to

- be economical in the purchasing and use of inputs
- be efficient in the production of outputs
- sell an optimum quantity of its services to clients at the right price.

The extent to which the BMS succeeds in achieving these objectives is considered in this chapter.

Outputs of BMS

3.2 The jobs carried out by the BMS vary considerably in scale. For this reason, jobs are categorised by the BMS in the following way.

- **Minor jobs** – which should each be completed (by one or more workers) in less than a day.
- **Major jobs** – which require in excess of one day but normally not more than five days to complete.
- **Projects** – BMS carries out a small number of bigger projects of varying duration and scale, often involving one or more of the BMS’s specialist crews on restoration work e.g. painting, stonework, plastering etc.

3.3 The BMS undertook a total of around 25,300 individual jobs in 2001 (see Figure 3.1). This is about 23% higher than the number carried out in 1998. The increase in job numbers relates to extra minor jobs being carried out – the number of major jobs undertaken fell from just under 5,000 in 1998 to 4,000 in 2001. BMS staff work on up to 100 projects in a year.

Figure 3.1 Number of jobs undertaken by the Building Maintenance Service, 1998 to 2001

	Maintenance jobs			Projects active in year ^a
	Minor jobs	Major jobs	All jobs	
1998	15,600	4,900	20,500	74
1999	18,500	4,500	23,000	107
2000	18,900	4,500	23,400	81
2001	21,300	4,000	25,300	99

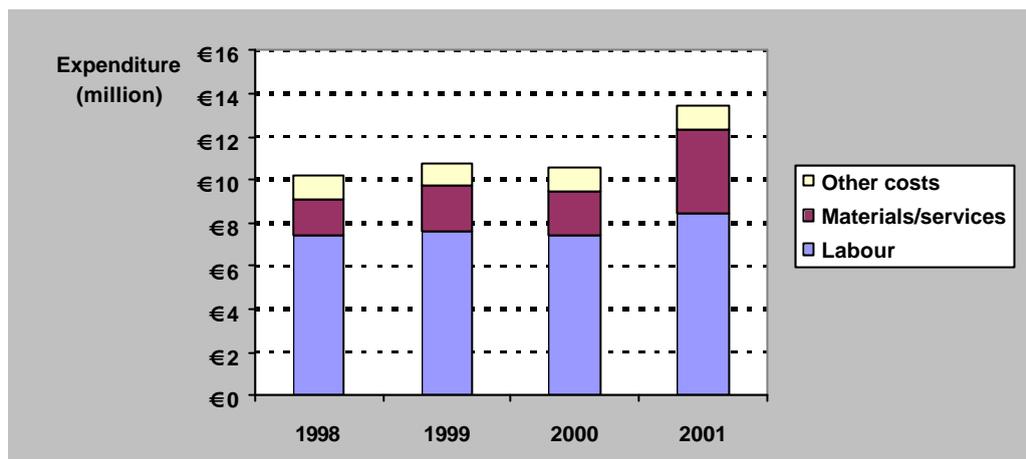
Source: Analysis by Office of the Comptroller and Auditor General

Note: a Estimated. Because projects may extend from year to year, they are counted here in each year in which they were in progress. The estimated total number of projects undertaken in the period 1998-2001 is 219.

Cost and Utilisation of Resources

3.4 Staff costs are the largest element in the BMS's expenditure (see Figure 3.2). In 2001, staff costs accounted for 63% of total expenditure. This is down from 73% of total expenditure in 1998. The change reflects a substantial increase in the amount of materials purchased and services contracted in for BMS jobs — expenditure in this area increased from around 17% of the total in 1998 to around 29% in 2001. Most of the increase in expenditure on materials and services occurred between 2000 and 2001.

Figure 3.2 Cost structure in the Building Maintenance Service, 1998-2001



Source: Analysis by Office of the Comptroller and Auditor General

3.5 Other costs incurred by the BMS include expenditure on equipment, vehicles and other running costs, and estimated amounts for rental of premises occupied by the BMS and for the BMS's share of OPW's central services, such as accounting and IT support. Together, these costs represented around 8% of total expenditure in 2001.

Cost and Utilisation of Labour

3.6 The number of staff employed by the BMS fell from 262 at the start of 1997 to 240 at the end of 2001 — a decrease of around 8%. Figure 3.3 presents a breakdown of BMS staff by function and by skill type.

3.7 All BMS maintenance jobs are assigned to specific tradesmen. General operative staff are deployed, where required, in support of the tradesmen.

3.8 The 1998 Murray report concluded that, because all skilled staff were skilled in one area only, there was scope to improve the efficiency of the BMS. Because of the single-skilling, two or more skilled staff were deployed for many jobs. For example, if repairs were needed for under-floor electrical installations, both an electrician and a carpenter might be deployed, no matter how little woodwork was required. Furthermore, through segregation of duties, skilled tradesmen did not drive BMS vehicles, so a general operative might also be deployed primarily as a driver to bring tradesmen to and from a job. Murray suggested that a long-term goal for BMS should be to have all operational personnel (including general operatives) trained to some degree in a number of basic skills. To date, no plans have been produced to give effect to this recommendation within the BMS.

Figure 3.3 Staff of the Building Maintenance Service at end 2001, by function/skill type

Function/Skill	Number	% of total
Tradesmen (including apprentices)		
<i>Carpenters</i>	38	16
<i>Electricians</i>	26	11
<i>Painters</i>	18	7
<i>Plasterers</i>	14	6
<i>Plumbers</i>	14	6
<i>Bricklayers</i>	5	2
<i>Glaziers</i>	3	1
<i>Slaters</i>	3	1
All tradesmen	121	50
General operatives/drivers	71	28
Other maintenance staff	8	3
Managers/supervisors/foremen	25	10
Administration staff	15	6
All staff	240	100

Source: Building Maintenance Service

3.9 If implemented, the limited kind of multi-skilling proposed by Murray could potentially reduce the amount of staff input required for BMS work, particularly on minor jobs. It should also facilitate the deployment of semi-skilled staff to carry out maintenance work which does not require the input of fully qualified tradesmen e.g. changing of light bulbs, replacing of locks, unblocking sinks and drains, etc.

3.10 Comparison of the level of skills of staff deployed by the BMS and by private sector maintenance firms on particular maintenance tasks would be helpful in improving efficiency in this way.

Pay Rate Comparisons

3.11 There are considerable difficulties in comparing rates of pay for BMS maintenance staff with rates in the private sector because of differences in skill mix, length of working week, patterns of working, types of pay regime, special allowances, pension entitlements, etc. However, the BMS believes that its current pay rates are significantly lower than those in the construction industry generally, both for qualified tradesmen and for general operatives.

3.12 Comparisons of BMS pay rates with Central Statistics Office information on earnings and hours worked in construction suggests that the rates of pay for skilled tradesmen in the BMS were around 6% lower in June 2001 than those operating in the industry generally. In the same period, general operatives in the BMS were paid about 19% less than the average rate in the industry. Extra pension entitlements of BMS staff have been taken into account in making this comparison.

3.13 Lower pay rates in the BMS potentially give it a cost advantage in competing with private sector maintenance providers. However, any advantage on cost could be lost through poorer utilisation of staff time.

Utilisation of available Staff Time

3.14 In 2001, a total of around 386,500 hours of staff time were available to the BMS. Around 77% of the total available hours were provided by tradesmen and general operatives. The balance of the available hours were contributed by management and administration staff (around 19% of the total) and apprentices (around 4%).¹⁰

3.15 To be economical in the use of labour, the BMS needs to

- minimise time spent on jobs and
- minimise time not chargeable to jobs

Hours per Job

3.16 Within the BMS, the service managers in each district/unit prioritise work requests received and allocate work to individuals or teams. Although formal targets are not set or recorded for the expected time to complete a job, informal targets are established determined by the numbers of jobs allocated to an individual or team for a particular day. At the end of each day, the service managers review the status of all work allocated.

3.17 A significant proportion of the jobs undertaken by the BMS involve no direct labour input from BMS staff. This usually arises where jobs are sub-contracted by the BMS. The increased tendency to engage sub-contractors is particularly noticeable in the case of minor jobs carried out for paying clients. The proportion of these jobs done with no labour input from BMS rose from 4% of the total in 1998 to 11% in 2001. The proportion of major jobs done without direct BMS staff input was relatively constant at around 10% of the total.

3.18 The average labour input on minor jobs carried out directly by BMS staff is just under 3 hours. As Figure 3.4 indicates, the average time input fell by around 10% between 1998 and 2001. The average labour input on major jobs was around 30 hours per job. Direct BMS labour input on projects in the period 1998 to 2001 was around 2,300 hours per project

Figure 3.4 Average hours per job, 1998-2001

	Average hours per job ^a	
	Minor works	Major works
1998	3.1	30
1999	3.0	32
2000	2.8	28
2001	2.8	28

Source: Analysis by Office of the Comptroller and Auditor General

Note: a Excludes jobs with no labour input.

3.19 Analysis of labour input and job duration (elapsed time) should be undertaken by the BMS. Average labour input and durations for different job types should also be monitored, and should be benchmarked against private sector performance expectations.

¹⁰ Available work hours are defined as 'total basic work hours paid for, less annual leave and sick leave'. The incidence of overtime and the utilisation of overtime hours is considered separately.

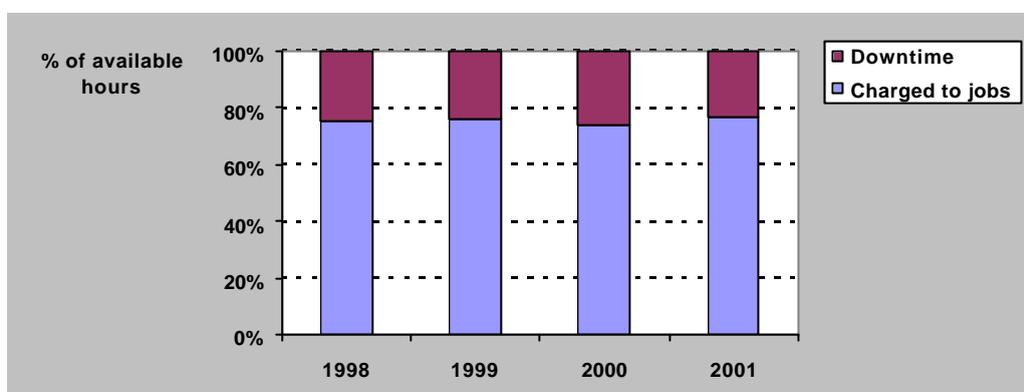
Utilisation of Tradesmen's and General Operatives' Time

3.20 Tradesmen's and general operatives' time is the main source of time charged up to maintenance jobs. Consequently, the main focus of analysis should be on the utilisation of their available time.

3.21 No target utilisation rate has been set by BMS for the proportion of tradesmen's and general operatives' time which should be charged directly to income-generating jobs. No monitoring of utilisation rates achieved is carried out.

3.22 Figure 3.5 shows the utilisation rate of tradesmen's and general operatives' time each year from 1998 to 2001. The rate remained relatively constant, with between 74% and 76% of hours available being charged to jobs. Similarly, the rate of 'downtime' for BMS staff also remained relatively constant.

Figure 3.5 Utilisation of basic available hours for tradesmen and general operatives, 1998 to 2001



Source: Analysis by Office of the Comptroller and Auditor General

3.23 Downtime by BMS staff includes a variety of activities, such as time spent travelling to jobs, 'idle time' while staff are waiting to be assigned jobs, and time spent organising tools and equipment. Time spent carrying out re-work, where a job is not completed initially to the satisfaction of the client and has to be re-done, is also classified as downtime.

3.24 Time spent travelling to and between jobs accounts for about 10 to 11% of available hours. Most of the balance of downtime is accounted for by idle time (about 7%), preparation time (about 3%), and a fixed weekly allowance of time for staff to visit the bank (3%).

3.25 The BMS has relatively little direct control over the level of demand for its services and must plan to meet the emerging demand as quickly and efficiently as possible while minimising downtime. Where possible, BMS service managers use long-term major projects to absorb staff resources not required elsewhere to meet short-term day-to-day demand for maintenance work. However, because of lack of flexibility in the skill mix, not all the available staff can be allocated at all times in this way.

Staff Time Utilisation at District Level

3.26 A restructuring plan, implemented in 1998 on foot of the Murray report, changed the structure of the BMS to increase the mobility of staff. However, the relative consistency of the level of downtime since 1998 suggests that this restructuring may not have had a significant effect.

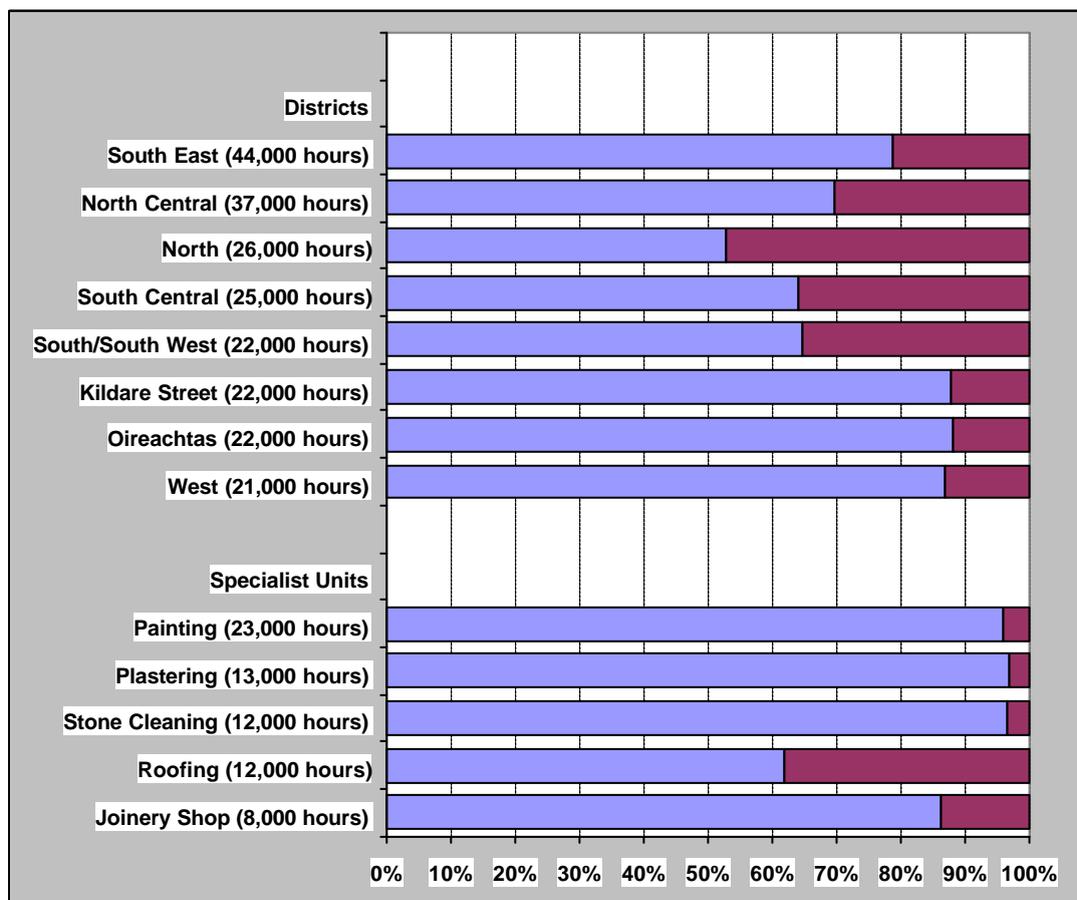
3.27 The proportion of total time allocated to jobs should be closely monitored as an efficiency indicator, both at an overall level and at an individual area level. Low utilisation rates occurring in one area could indicate a relative surplus of resources, which could be more efficiently deployed in other areas.

3.28 Analysis of utilisation levels by district or specialist unit within the BMS in 2001 indicates that there were wide divergences in the levels achieved (see Figure 3.6).

3.29 The utilisation rate varied from 53% in the (Dublin) North City District to 88% in the Oireachtas District. In the districts with the lowest labour utilisation rates, large amounts of time were charged to unproductive factors such as idle time, travelling time and preparation time. In the North City District, 20% of the available hours were recorded as idle time compared to an average across districts and units of around 7%. Utilisation rates were generally higher for the specialist units, with the exception of the Roofing Unit, where 27% of the available hours were charged to travelling time and driving duties.

3.30 Monitoring of utilisation rates between districts should provide useful information to BMS in relation to imbalances between the number of tradesmen and general operatives and the demand from clients in the district catchment areas. Rates were monitored within the BMS for a period in 1999 but this was subsequently discontinued. Examination of the districts with the highest utilisation rates could also point to efficient work scheduling which could be implemented in the districts with poorer utilisation rates.

Figure 3.6 Utilisation rate of tradesmen's and general operatives' time, by district/unit, 2001



Source: Analysis by Office of the Comptroller and Auditor General

3.31 In general, management should have a clear view on what overall level of staff utilisation it intends to achieve, at overall and district/unit levels. Targets should also be set in relation to the proportion of staff time absorbed by other factors.

Management Time

3.32 The proportion of available staff time spent on management, supervisory and administration functions remained relatively constant over the period 1998-2001, at around 18-19%.

Training

3.33 Most of the staff training carried out in the BMS relates to the training of apprentices. Even when they attend jobs and carry out work under the supervision of tradesmen, their time is charged to training rather than to the jobs.

3.34 In the period 1998-2001, the amount of available basic hours accounted for by training ranged from 3% to 5%. In 2001, 10 employees (4% of the total) accounted for 94% of all training carried out in the BMS, with each charging up an average of more than 29 weeks to training. Over 90% of BMS staff charged no time to training in 2001.

Overtime

3.35 The level of overtime working by BMS staff is substantial. Over the period 1998-2001, tradesmen and general operatives worked 15% to 16% of their total work hours on overtime. Staff in supervisory and administrative grades had similar rates of overtime working to those worked by tradesmen and general operatives.

3.36 Almost all of the overtime hours worked by tradesmen and general operatives was charged directly to maintenance jobs. Overtime worked by supervisory and administration staff was generally not charged directly to jobs.

3.37 In practice, carrying out work on overtime may sometimes be the only option for the BMS. This is particularly the case with emergency response call-outs. In addition, clients requesting non-emergency maintenance work may require that it be carried out outside normal work hours to minimise disruption to departmental business; in other cases, BMS may be asked to supply a stand-by service in case of an emergency for after-hours functions.

3.38 In most cases, overtime is approved only where there is a specific client request for after-hours service and must be authorised by the relevant area manager.

Sick Leave

3.39 Sick leave as a proportion of total basic hours increased from 6.3% in 1998 to just under 10% in 2000 and decreased slightly to 9.1 % in 2001. It is difficult to find estimates of sick leave in private sector service industry based on comparable definitions. However, losing one in every nine hours of basic time through sick absence represents a very considerable overhead for the BMS.

3.40 The level of sick leave incurred appears to be due mainly to a high level of long-term sick leave of a small percentage of the staff, rather than to widespread sick leave by all employees. In 2001, 23% of the staff accounted for almost three quarters of all the sick leave incurred. The distribution of sick leave in 2001 is shown in Figure 3.7.

Figure 3.7 Sick leave rates in the Building Maintenance Service, 2001

Level of sick leave	% of employees	% of sick leave hours
No sick leave	14%	-
Less than 1 week	12%	1%
1- 5 weeks	51%	27%
6-12 weeks	14%	27%
More than 12 weeks	9%	45%
	100%	100%

Source: Analysis by Office of the Comptroller and Auditor General

3.41 In 2001, BMS management commenced more active management of sick leave. While this is a time consuming task, they expect that the level of staff time lost through sick leave can be significantly reduced.

Cost and Utilisation of Materials and Services

3.42 After staff costs, expenditure on materials for use in maintenance jobs and contracted in services is the greatest element in the BMS's expenditure. The total amount spent on materials and services almost doubled from just over €2 million in 2000 to almost €4 million in 2001. Most of the increase is accounted for by expenditure in 2001 on refurbishment of Farmleigh, for which the BMS paid a total of €1.4 million for materials and services in 2001. By comparison, the largest expenditure on materials on a single job in 2000 was around €100,000.

3.43 Excluding the refurbishment of Farmleigh, the rate of utilisation of materials and contracted in services by the BMS has increased significantly. For example, the value of materials used per hour charged to jobs increased from an estimated €5.40 per hour in 1998 to an estimated €9.50 per hour in 2001 — an increase of 77%. This compares to an increase of around 11% in the prices of building and construction materials in the same period.

3.44 The 1998 Murray report suggested the abolition of the BMS's central materials stores and the adoption of new streamlined materials purchases control procedures. A new system of 'just in time' ordering and delivery was adopted. Under this system, BMS staff order required materials for specific jobs from certain authorised suppliers for next-day delivery to the site where the job is being carried out or to the BMS depot. This was expected to generate savings in terms of reduced storage and stock control costs and release the value of goods held in stock (estimated at just over €300,000 at the end of 1997).

3.45 The area managers have stated that the new materials purchasing system is operating well and has not contributed to increased downtime due to staff waiting for materials to be delivered. They did feel however that small stocks of some standard items in constant use (such as bulbs, screws, nails, hinges, etc.) could usefully be maintained.

The Market for BMS Services

3.46 Around two-thirds of the cost of work done by the BMS in the period 1998-2001 related to work carried out on the exempted buildings and OPW's own buildings. The remaining one-third related to work done for departments and agencies required to pay the BMS for the work.

3.47 Figure 3.8 shows the number and cost of jobs carried out by the BMS on a non-charge basis in the period 1998 to 2001. In cost terms, the biggest clients in this group were the National

Museum and the Houses of the Oireachtas. The OPW itself is the single biggest client of the BMS when the cost of BMS work on the (exempted) OPW headquarters building at 51-52 St Stephens Green is combined with work on other OPW property.

3.48 Figure 3.9 shows the BMS's largest charged client departments and agencies in the period 1998-2001. The Garda Síochána, and the Departments of Social, Community and Family Affairs and Arts, Heritage, Gaeltacht and the Islands were the biggest paying clients, in terms of income generated. Five paying clients each called on the BMS for services on more than 1,000 occasions a year.

3.49 There is considerable variation in the average cost of jobs done by the BMS for its non-charge clients. This may reflect the condition of the buildings and the extent to which restoration work is required. The low average cost of jobs done for some of the non-charge clients suggests that the BMS was involved mainly in routine maintenance work on the buildings complexes e.g. at Government Buildings and in the Four Courts. In other cases, the work done for non-charge clients was on a larger scale, probably involving larger scale refurbishment or specialist restoration work, or work related to special events. The largest jobs undertaken involved restoration work on the Farmleigh Estate.

3.50 The work done on exempted buildings and OPW's own buildings was significantly more labour intensive than the work done for charged clients. The cost of materials and contracted-in services for charged clients was an average of €11 per hour of BMS staff time input, compared to €7 per hour of staff input for work done for non-charge buildings. This probably reflects the higher degree of specialist skills input required for many kinds of restoration work on period buildings.

3.51 Since the OPW has direct responsibility for the maintenance of many of the exempted buildings and is also a major client of the BMS in its own right, OPW business units have a very large degree of control over the volume and type of business the BMS receives. Effectively, other parts of the OPW, and not the departmental accommodation officers, are the major clients of the BMS. This underlines the need, identified in the 1998 Murray report, to establish clearly how the BMS relates to the Property Maintenance Service, its parent business unit, and to other OPW business units.

Figure 3.8 Estimated cost of work not charged for by the Building Maintenance Service, 1998 to 2001

Buildings	Number of jobs	Cost of work done	Average cost per job
		€'000	€
National Museum	1,407	4,891	3,480
Houses of the Oireachtas	9,248	4,729	510
Farmleigh Estate	41	2,957	72,120
51-52 St Stephens Green (OPW HQ)	4,660	2,737	590
Áras an Úachtarán	1,219	2,560	2,100
Royal Hospital Kilmainham	2,381	2,053	860
Government Buildings	6,978	1,583	230
Four Courts	4,855	1,036	210
National Gallery	866	793	920
National Library	525	401	760
Dublin Castle	168	358	2,130
Other exempted buildings	4,698	2,223	470
All exempted buildings	37,046	26,321	710
OPW's own buildings (except OPW HQ)	1,851	3,650	1,972
All work not charged for	38,897	29,972	771

Source: Analysis by Office of the Comptroller and Auditor General

Figure 3.9 Estimated potential income from departments and agencies charged for work by the Building Maintenance Service, 1998-2001

Client	Number of jobs	Potential Income from work	Average potential income per job
		€000	€
Garda Síochána	9,515	1,890	200
Social, Community and Family Affairs	6,330	1,875	300
Arts, Heritage, Gaeltacht and the Islands	3,668	1,736	470
Agriculture and Food	5,525	1,476	270
Revenue Commissioners	5,953	1,389	230
Foreign Affairs	6,278	1,109	180
Education and Science	1,452	1,000	690
Enterprise, Trade and Employment	2,067	432	210
Finance	996	335	340
Marine and Natural Resources	1,449	300	210
Others	10,326	2,778	270
All departments and agencies	53,559	14,319	270

Source: Analysis by Office of the Comptroller and Auditor General

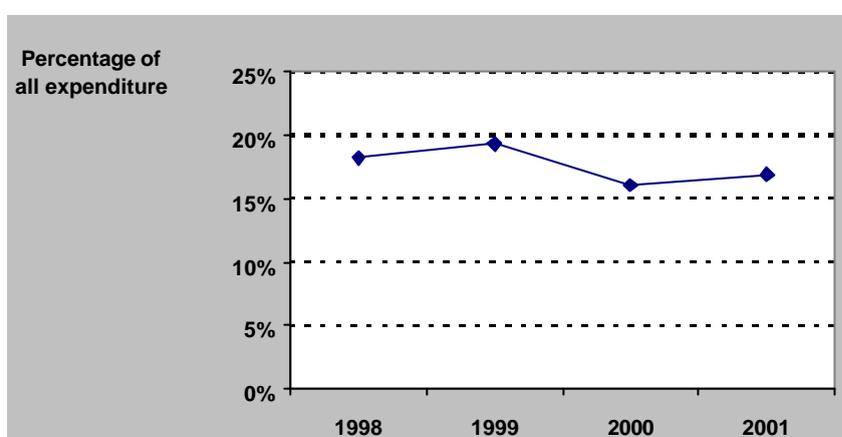
Note: Potential income is calculated on the basis that the BMS correctly invoiced all departments and agencies which are charged for BMS maintenance services.

The BMS Market Share

3.52 The total amount spent nationally by departments and agencies — including the OPW — on the maintenance of government property increased from an estimated €56 million in 1998 to around €80 million in 2001. The BMS broadly maintained the share of the work that it carries out. Figure 3.10 indicates that its estimated ‘market share’ was in the range 16% to 19% of all maintenance work carried out.

3.53 The overall level of expenditure incurred on maintenance each year represents the total amount of business for which all maintenance service providers (including the BMS) can compete. However, it may not represent the amount of work which is required to maintain State property adequately.

Figure 3.10 The Building Maintenance Service’s estimated share of all expenditure on maintenance of State property, 1998 to 2001



Source: Analysis by Office of the Comptroller and Auditor General

3.54 The 1994 Department of Finance procedures for maintenance of State property require the OPW to carry out surveys of all government property on a two-year cycle and subsequently to provide occupying departments with comprehensive and prioritised lists of the maintenance work required. A round of surveys, initiated in 2000, has recently been completed by the Property Maintenance Service for the first time. The results should help inform future maintenance decisions.

3.55 The cost of moving to a preventive maintenance system could, however, be significant. For example, maintenance of part of Government Buildings occupied by the Department of Finance — a building exempted from charges for BMS work — was contracted out to a private sector maintenance company in November 2001. A detailed survey revealed there was a significant amount of repair and restoration work required to the basic fabric and services of the building. The cost of carrying out the necessary repair and restoration work over a five-year period was estimated at €1.2 million.

Customer Service

3.56 The BMS relates to its clients in a different way to its competitors. Its relationship with clients is more informal and less subject to clear terms of contract. Many aspects of the relationship have developed on the basis of mutual trust between BMS staff and the representatives of its clients.

Commissioning of Jobs

3.57 Requests from accommodation officers for work to be carried out by the BMS are generally submitted on pre-printed requisition forms. The BMS accepts or refuses job requests depending on the resources and skills mix available to complete the job satisfactorily. Enquiries by clients about BMS availability to carry out major jobs usually do not result in a requisition form being sent to the BMS if it indicates that it is unlikely to accept the job.

3.58 Once a requisition is received, the job is formally recorded in the BMS's management information system, using the requisition number as a job code. At that stage, the job is categorised as minor or major and the client and building details are also recorded. The area managers pass on requests for service to the relevant district service managers, who arrange for the work to be carried out.

Response Time

3.59 Many of the maintenance jobs carried out by BMS tend to be reactive in nature. Reactive maintenance work may occur in emergency situations, requiring an immediate response (e.g. electricity or heating failure, or plumbing problems) or may be planned over the short term (e.g. renewal of damaged woodwork or paintwork).¹¹ BMS also provides stand-by services, where staff are deployed for periods of time at various locations to deal with possible problems e.g. electricians and plumbers may be on stand-by at State functions to be available to deal with any potential disruption of services.

3.60 From the client's perspective, the main expectation is that requests for service should be attended to in a timely way. This may relate to the response time to a call out, particularly for emergency maintenance work, and to the duration of maintenance work, particularly if it disrupts normal business.

3.61 In contrast to the practice in the BMS, private sector maintenance providers who have maintenance contracts with clients usually undertake to meet specified and agreed response time targets across a wide range of maintenance call-out situations, with faster response times for problems likely to result in extensive damage or business disruption.

3.62 No standards or target times for responding to client requests have been set by the BMS and response times to requests for service are not monitored. However, BMS managers are satisfied that, in general, the response to call-outs is prompt, particularly where an emergency response is required.

Price Quotations

3.63 The BMS has no formal policies or procedures in relation to the provision of quotations for work. The BMS supplies quotations when clients ask for them but in practice, only a small number are requested e.g. where documented submissions for approval of expenditure are required in the client department. Where necessary, the area managers and service managers determine the estimated time and materials required to complete the job and provide a written quotation to the client.

¹¹ By contrast, preventive maintenance is normally carried out to a pre-determined schedule and over a fixed cycle. The aim of preventative maintenance is to preserve the fabric of a building through regular low levels of expenditure rather than through more expensive, unplanned and reactive work which often requires repair of damage as well as making good of protective features and finishes.

3.64 The amount quoted to a potential client for carrying out a job is not regarded by the BMS as being binding in any way. If the client proceeds with the job, they are charged on an actual time and materials basis, regardless of the original quotation. By contrast, where private sector contractors provide quotes for jobs, the customer expects to pay only the quoted amount, unless extra work has been sought.

3.65 The Murray report recommended that the cost of all major jobs and projects undertaken by the BMS should be estimated in advance and the estimates recorded. He also recommended that the estimate would be the basis of billing. No action has been taken on this recommendation to date.

3.66 There is scope for the BMS to follow the private sector practice of entering into service contracts with clients who use the BMS regularly to carry out minor maintenance jobs. Under such contracts, rates of payment for particular kinds of service are agreed in advance, along with agreed target response times in different kinds of circumstances. During the lifetime of the contract, the client would call on the service as required, with payment being made at the agreed rates.

3.67 As well as formalising the relationship with clients, these changes in procedure would provide the opportunity to test the market for competitive bids for maintenance work.

Quality Control of Output

3.68 The BMS's service managers and foremen check most jobs on an ongoing basis to assess the quality of the work carried out. However, no documentation is produced in relation to the assessments. Neither the clients' representative nor the relevant district architects are required to sign off on completion to attest that the quality or results of the work are satisfactory.

3.69 A further aspect of the informal relationship with accommodation officers is that, where necessary, BMS staff will generally return to re-do any work which is not to the clients' satisfaction, without further charge. The level of work redone is not recorded by the BMS and the hours incurred on re-work are allocated to idle time.

3.70 Since quality of work and time taken to complete jobs are likely to influence clients in the award of contracts, the BMS should monitor work quality and the incidence of re-work in a systematic way. Some useful measures of the quality of work completed would be

- the level of work that must be redone if not completed properly on the first visit
- the number of complaints received in BMS.

Client Sign-off

3.71 Although invoicing for charged clients is based on the cost of time and materials used directly on jobs, the BMS does not have formal procedures to document the actual commencement and completion of jobs in agreement with the clients. Private sector contractors do this through completion of standard job documentation, countersigned by a representative of the client. In most comparable commercial operations, client sign off also requires confirmation by the client that the work has been completed satisfactorily.

3.72 BMS staff typically have an informal relationship with their clients. In many cases, BMS staff are key-holders for buildings and have access to relevant building plans and systems-layout diagrams, so they are able to access many of the buildings they service without formal contact with the clients or subject to their supervision.

3.73 The BMS area managers point out that a relationship of trust exists between accommodation officers and the BMS due to the long-term working relationship. This may be convenient for accommodation officers, who may feel there is less need to liaise with or supervise the movements of BMS staff than would be the case with the staff of private sector service providers who would be less familiar with the clients' buildings. The fact that individual BMS staff are known and have all been screened from a security point of view also reduces the supervision overhead for accommodation officers.

Charging for BMS Work

3.74 A core principle of operating in a commercial way is that clients should be charged the appropriate amount for work done on their behalf. This involves identifying the appropriate price for work done, invoicing the client for the due amount and ensuring that the amounts invoiced are actually collected.

Pricing Policy

3.75 The BMS's general policy is to charge for its services on the basis of the number of hours of BMS staff time required to carry out each job. The full cost of materials and any contracted-in services used during a job are also included in the price for the job, without a mark-up.

3.76 In the course of this examination, the charge rates that would have been required to recover all BMS's costs (and thereby avoid incurring a trading loss) in 2001 were estimated. Rates were estimated based on the BMS's charging policies in 2001. The actual rates applied and the estimated cost recovery rates are set out in Figure 3.11.

Figure 3.11 Comparison of actual Building Maintenance Service charge rates and estimated full cost recovery rates, 2001

Grade	Actual charge rates in 2001	Estimated full cost recovery rates	Increase required to recover costs
Basic charge rates	€hour	€hour	
Tradesman	32	33	3%
General Operative	19	27	42%
Overtime charge rates	€hour	€hour	
Tradesman	43	45	5%
General Operative	33	37	12%

Source: Analysis by Office of the Comptroller and Auditor General

Note: Rates are rounded to the nearest €

3.77 The charge rates applied by the BMS in 2001 were lower than the estimated full cost recovery rates for both tradesmen and general operatives. There was a very significant difference between the rate charged in 2001 for general operatives' time and the cost recovery rate. As a result, the BMS undercharged its paying clients significantly for the work it undertook in 2001.

3.78 The hourly charge rate structures applied by the BMS in the period 1998 to 2002 are shown in Figure 3.12. Some of the rates increased between 1998 and 1999, but all rates remained unchanged from 1999 until early 2002. In addition to increasing the rates charged for tradesmen's and general operatives' time in 2002, the BMS introduced a minimum charge for all jobs and an hourly charge for apprentices' and foremen's time used directly on jobs. The new pricing policy is based on recommendations made by Newmarket Partnership, following a survey of market rates and charge structures.

Figure 3.12 Building Maintenance Service charge rates, 1998-2002

Grade	Charge rates		
	1998	1999 to 2001	2002
Minimum charge per job	—	—	2 hours
Basic charge rates	€hour	€hour	€hour
Foremen	—	—	38
Tradesman	25	32	38
General Operative	19	19	32
Apprentice	—	—	32
Overtime charge rates	€hour	€hour	€hour
Foremen	—	—	57
Tradesman	38	43	57
General Operative	29	33	48
Apprentice	29	43	48

Source: Building Maintenance Service

Note: Rates are rounded to the nearest €

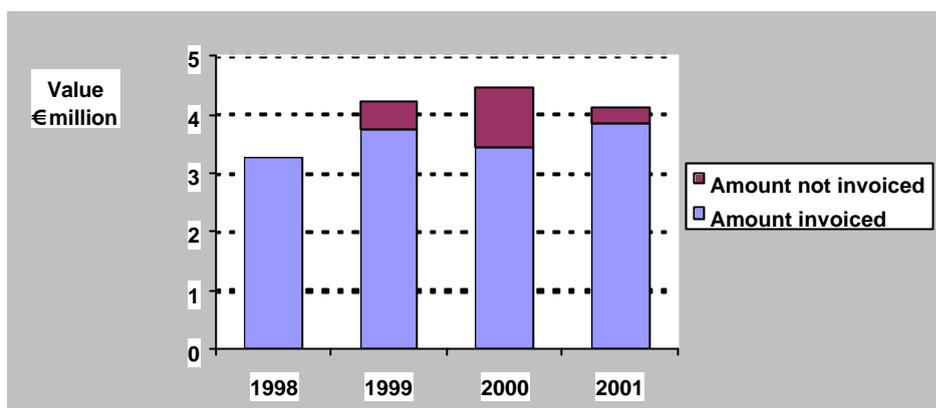
3.79 The revised 2002 charging structure represents a very significant increase in the cost of BMS services to its paying clients. Compared to the estimated cost recovery rates in 2001, the new charges could result in the BMS generating a substantial trading profit if it maintains the 2001 level of charged business in 2002 and collects all its income.

3.80 Because the revised charge structure is based on prevailing market rates, the BMS's ability to compete for 'paying' business may be reduced. The cost to a client of a job carried out by the BMS will depend both on the charge rate and the mix of grades used to do the work. If the BMS deploys a tradesman to carry out a task for which private sector companies usually deploy a semi-skilled employee, the BMS service may be the costlier option from the client's point of view. This underlines the need for BMS to review its skill deployment policies for different kinds of work. If necessary, it should consider pricing its work on the appropriate or 'ideal' skill requirement, irrespective of the grade of employee that actually does the work.

Invoicing and Debt Management

3.81 The BMS issues around 1,000 to 1,500 invoices each month to its paying clients. A separate invoice is issued for each job completed. The invoices are sent to each client once a month, together with a statement of outstanding amounts and payments received.

3.82 Problems with the BMS's management information system resulted in significant errors in invoices issued to clients and a failure to issue invoices for some of the work completed. This problem significantly affected the total amount invoiced to clients in 1999, 2000 and 2001, as indicated in Figure 3.13. In the period 1998-2001, approximately €1.7 million chargeable income due to the BMS was not invoiced to clients. This represented about 12% of total income due in the period.

Figure 3.13 Building Maintenance Service' income invoiced to paying clients, 1998 to 2001

Source: Analysis by Office of the Comptroller and Auditor General
 Note: Breakdown of income is as estimated at end April 2002.

3.83 Payments received by the BMS from its clients are recorded on the BMS database against individual invoices. Amounts invoiced up to December 2001 were examined in April 2002 to establish the success of BMS in collecting debts. Figure 3.14 shows there were significant amounts invoiced to clients for which no payment had been received. In April 2002, approximately €14,000 of income invoiced to clients up to December 2000 remained unpaid (9%). This indicates that, despite the fact that the client base consists of government departments the BMS has, de facto, a level of doubtful debts of around 9%.

Figure 3.14 Proportion of invoices outstanding at April 2002, 1998-2001.

	1998	1999	2000	2001
Amount invoiced €000	3,269	3,317	2,397	3,588
Amount outstanding €000	170	419	225	1,265
Proportion of invoices outstanding	5%	13%	9%	35%

Source: Analysis by Office of the Comptroller and Auditor General

3.84 The BMS has only rudimentary procedures for monitoring debtors and recording payments against outstanding debts. Its management information system cannot produce a reliable listing of current debts showing how long they have been outstanding. Apart from issuing monthly statements to clients as reminders, it has no procedures for enforcing debts. Lack of formal contracts or sign-off on jobs by clients, errors in invoicing and poor debt management information systems all make pursuit of debts difficult and costly. The one available remedy is for the BMS to refuse to carry out further work for clients who have not paid for work already done, but this strategy has rarely been adopted by the BMS.

Conclusions

3.85 Overall, there appears to have been little change in the level of economy and operational efficiency achieved by the BMS in the period 1998 to 2001. Many of the operational changes recommended in the 1998 Murray report were not implemented. Scope remains for improvements in efficiency in BMS operations identified in the report, particularly through the reduction of job demarcation, development of a semi-skilled 'general handyman' grade of staff, improved

management of staff downtime and reductions in the high levels of sick leave among certain BMS staff.

3.86 Because the charge rates for BMS services were not adjusted in 2000 and 2001 to reflect increases in costs, BMS clients were undercharged for the work carried out in those years.

3.87 The BMS has not adopted commercial practices in its relations with its clients. Combined with exemption from charges for around two-third of the business carried out, and significant undercharging for work done for paying clients, competitive forces were operating between the BMS and private sector service providers only to a very limited extent in the period 1998 to 2001.

3.88 The first round of surveys of the condition of government property, have only recently been completed. As a result, preventive maintenance on properties has not being carried out, with the likelihood that avoidable future repair costs have been incurred.

4 Future Operation of the BMS

4.1 The OPW has drawn up proposals for the future role and operation of the BMS in the context of a more general reorganisation of the Property Maintenance Service. The proposals are set out in a memorandum, the text of which is presented in Appendix D.

Proposed Operational Changes

4.2 The main operational changes proposed by OPW were

- The BMS would cease to carry out maintenance work for its charged clients. Instead, all departments and agencies occupying non-exempted State property would be required to enter into 'measured term contracts' with private sector maintenance service providers. The contracts would be managed centrally by the Property Maintenance Service. Payments under the contracts would be made directly by the departments/agencies to the service providers.
- Most existing BMS staff (80%) would be assigned to work on particular exempted buildings. They would carry out minor works as required and provide support for special events. They would report to the accommodation officers/facilities managers of the property to which they were assigned.
- The remaining staff, in three specialist crews — Painting (15 staff), Roofing (3) and Plastering and Stone Restoration (22) — would not be assigned to individual buildings. Teams would be deployed, as required, to carry out specialist work on exempted buildings. Where capacity allows, their services would be made available to occupiers of non-exempted State property, on the direction of OPW management and on a no-charge basis.
- Pending the introduction of the 'measured term contracts', the BMS will continue to provide services to departments and agencies occupying non-exempted property and collect amounts invoiced for BMS services. Following the introduction of the 'measured term contracts' it is proposed that departments will make payments directly to contractors and OPW will cease charging for work.

Views of the Department of Finance

4.4 The Department of Finance has pointed out that

- No formal negotiations have taken place on the OPW's proposed changes to the BMS although the matter has been raised in discussions in the course of a review of Department of Finance instructions on property maintenance issued in 1994.
- The proposed measures cannot be implemented until the 'measured term contracts' are in place.

Impact of Proposed Changes on VFM Examination

4.5 The operations of the BMS were examined in the context of the arrangements for the maintenance of State property which existed up to 2002. Consequently, no evaluation has been undertaken on

- The adequacy of the appraisal of the revised measures proposed by the OPW
- Whether the new arrangements are likely to result in better value for money.

4.6 It is unclear, at this stage, how the new arrangements will operate in practice and in particular

- Whether work on exempted buildings will be sufficient to absorb the entire existing workforce
- How OPW's own portfolio of non-exempt buildings will be maintained.
- How surplus staff will be deployed.

4.7 As a result, it is not possible to predict whether the proposed changes will achieve savings when compared with the system evaluated in the examination. In these circumstances, it would be prudent to pilot the new arrangements in a small number of representative departments and evaluate the outcome before any definitive commitment is made.

Appendices

Appendix A Summary Financial Statement Published for the BMS, 2000

The financial statement reproduced below (including the notes) was prepared on behalf of the OPW by Newmarket Partnership Ltd. It was published by the Office of Public Works in its Annual Report for 2000.

The statement was originally published with IR£ amounts; the equivalent Euro amounts shown below were converted from IR£ at the rate €1 = IR£0.787564.

	Notes	€
Revenue		
Actual		2,981,740
Imputed	1	<u>3,959,604</u>
Total revenue		6,941,344
Direct costs		
Labour – industrial direct		6,277,819
Materials and outside services	2	<u>2,852,949</u>
Total direct costs		9,130,768
Overheads		
Labour – industrial indirect		1,020,076
Administrative salaries		133,124
Others	3	416,480
Building costs – notional rent	4	264,106
Support and head office costs	5	<u>291,727</u>
Total overheads		2,125,513
Total costs		11,256,281
Under recovery		(4,314,937)

Notes

1. Buildings exempted from charging and OPW premises.
2. Outside services include hire of plant etc and subcontracts.
3. Travelling expenses, energy costs, telecommunications costs, depreciation on fixed assets.
4. Notional rent to reflect opportunity cost to business.
5. Support and head office costs are based on staff numbers in the Building Maintenance Services Division.

Appendix B Buildings Exempted from Building Maintenance Service Charges

The BMS does not charge for the services it provides in respect of some specified buildings (the 'exempted' buildings). It also does not charge for work carried out on the OPW's own buildings.

A number of specified buildings and property were made exempt from the general arrangements for maintenance of central government property set out in Department of Finance Confidential Circular 1/1994. The OPW is directly responsible for all maintenance, fitting out and refurbishment work in relation to buildings listed in Appendix 1 of the circular, and for the costs of maintenance works carried out by the BMS on buildings listed in Appendix 2 of the circular.

There was no formal definition of what qualifies a building to be treated as an exempt building. Since the 1994 Department of Finance circular was issued, further buildings have been added to the list of exempt buildings either on the assessment of the Commissioners of Public Works or under the terms of the National Cultural Institutions Act, 1997.

In addition to the buildings formally exempted from charges by the BMS, the BMS did not charge for work it undertook in the period 1998-2001 on some courthouses in Dublin, some Dúchas properties (e.g. St Stephen's Green and the War Memorial Park, Islandbridge) and on the provision and maintenance of security huts in selected locations. In this report, this work is included as work on exempted buildings for analysis purposes.

Work undertaken on OPW's own buildings — excluding work on its headquarters at 51-52 St Stephens Green, which is categorised as an exempted building — is identified separately for analysis purposes.

List of buildings in respect of which the Building Maintenance Service did not impose charges for work done, 2001

Buildings exempted under Appendix 1 of Circular 1/1994 — OPW fully responsible for maintenance and costs of maintenance	Áras an Uachtarán Dublin Castle State Apartments National Library National Gallery (excluding 90 Merrion Square) National Museum Natural History Museum Chester Beatty Library State Paper Office Royal Irish Academy Arbour Hill Cemetery
Buildings exempted under Appendix 2 of Circular 1/1994 — occupiers exempt from payment for services provided by the BMS	Leinster House Kildare House Government Buildings Four Courts (excluding Land Registry and Solicitors and Bar Council Buildings) Royal Hospital Kilmainham Custom House (part) Government Offices, Sullivan's Quay, Cork
Buildings for which the Commissioners of Public Works were made responsible under the National Cultural Institutions Act, 1997	All buildings of National Museum and National Library
Buildings added to exempted list by Commissioners of Public Works	Agriculture House (Department of Agriculture and Food) Iveagh House Farmleigh Estate 51-52 St Stephens Green (OPW Headquarters) National Concert Hall 88-89 Merrion Street 14-16 Merrion Street (Office of the Attorney General) 44-45 Merrion Square 5-6 Merrion Square 73 Merrion Square Department of Defence Headquarters, Parkgate Garda Síochána Headquarters, Phoenix Park Coláiste Caoimhín, (Department of Defence) Áras Uí Dhálaigh (Courts Service) Registry of Deeds Department of Education and Science complex, Marlborough St Áras Mhic Dhiarmada (Department of Social and Family Affairs) Botanic Gardens (buildings only) Garden of Remembrance

Source: Department of Finance Circular 1/1994; Office of Public Works

Appendix C Estimated Summary Financial Statements, 1998-2001

Principles Adopted in Preparing Financial Statements

- Income and expenditure were recognised on the basis of work carried out each year. Work done in the year was defined on the basis of labour time absorbed on jobs.
- The cost of work carried out on exempted buildings, on OPW's own properties and on some projects not charged for was based on actual material costs incurred, full recovery of labour costs, and a share of overheads
- Trading income was calculated only in relation to jobs which were chargeable to clients. Income was recognised in respect of all jobs carried out. BMS did not however invoice all of this income and did not collect all debts invoiced. These amounts have been set against profit in the year in which the income was recognised.
- The income calculated for individual jobs included actual material costs incurred and a charge for actual labour hours used at the prevailing charge rates.
- The cost of work done for charged clients was based on actual material costs incurred on these jobs and full recovery of labour hours including overheads.

Summary Financial Statements for the Building Maintenance Service (Dublin), 1998-2001

	Notes	1998 €000	1999 €000	2000 €000	2001 €000
Expenditure					
Wages	1	7,391	7,588	7,431	8,431
Materials used in maintenance jobs	2	1,691	2,179	2,057	3,882
Overheads and other costs incurred by BMS	3	670	512	585	519
Notional rent	4	207	236	264	269
Head Office support	4	209	250	292	288
Total expenditure		10,168	10,765	10,629	13,389
Cost of work done for OPW	5	6,625	7,111	7,057	9,178
Cost of sales	6	3,543	3,654	3,572	4,211
Potential trading income	7	3,269	3,769	3,428	3,853
Potential profit/(loss)		(274)	115	(144)	(358)
Less					
Amounts not invoiced	8	-	452	1,032	265
Bad and doubtful debts	9	170	419	225	325
Loss for year		(444)	(756)	(1,401)	(948)

Notes to Financial Statements

1. Wages costs are taken from the published accounts in 1998 and 2000, from the amount paid through the Vote system in 1999 and from the accounts prepared by Newmarket Partnership in 2001.
2. Material costs are calculated on the following basis:
 - Where a job has no labour element, the material costs are recognised in the year in which the material was received.
 - Where a job has a labour element and time is allocated to the job in only one year, all material costs incurred on the job are recognised in the year in which the labour was incurred.
 - Where a job has a labour element and labour hours have been incurred on the job over a number of years, material costs incurred on the job are recognised in the year in which the material was received.
3. Overheads and other costs incurred by the BMS comprise invoices received from suppliers in the year which were not allocated to individual jobs. This includes items such as energy costs, telecommunication costs, vehicle running costs and other miscellaneous expenses.

4. The amounts of notional rent and Head Office support in 1998 and 2000 are taken from the accounts published in those years. The amount in 1999 is estimated based on amounts in 1998 and 2000. The amount in 2001 is taken from the accounts prepared by Newmarket Partnership.
5. Cost of work done for OPW includes all costs incurred on jobs carried out in the relevant year on exempt buildings, on OPW's own buildings and on some other jobs carried out at the behest of OPW which are not charged for. The costs include materials, labour and overheads which were calculated as follows:
 - Material costs -includes all material costs associated with jobs carried out in the current year, except where the job spans a number of years when only the material received in the current year is included.
 - Wages - the total wages bill is apportioned on the basis of the proportion of total hours charged up to jobs which relates to work done for OPW, at the prevailing charge rates.
 - Overheads incurred by BMS and notional charges in respect of rent and head office support are apportioned on the basis of proportion of total hours spent on work done for OPW.
6. Cost of sales comprises all costs associated with jobs carried out in respect of chargeable clients and includes material, labour costs and overheads calculated as follows:
 - Material – all material costs associated with jobs worked on in the current year are included except where the job is worked on in other years also where only the material received in the current year is included.
 - Wages – the total wages bill is apportioned on the basis of the proportion of total hours charged up to jobs which relates to work done for chargeable clients, at the prevailing charge rates.
 - Overheads incurred by BMS and notional charges in respect of rent and head office support were apportioned on the basis of proportion of total hours charged to jobs which was spent on jobs for chargeable clients.
7. Trading income includes
 - A charge to recover the cost of materials utilised which are recovered at cost from the customer. Where a job is worked on in the current year only, all material costs are recognised in the current year. Where a job is worked on over a number of years only the material costs incurred in the current year are recognised.
 - Charges to clients for labour – calculated on the basis of all hours spent on jobs for chargeable clients at the prevailing charge rates for labour in BMS. The rates used for each of the years are shown below.

Year	Tradesmen		General Operatives	
	Normal hours €	Overtime hours €	Normal hours €	Overtime hours €
1998	24.76	38.09	19.05	29.20
1999/2000/2001	31.74	43.17	19.05	33.01

8. Amounts not invoiced is calculated by comparing the potential income from all chargeable jobs carried out in the year with the value of invoices issued by BMS.
9. Bad debts in respect of 1998, 1999 and 2000 are calculated by establishing the level of invoices issued in each year which remain unpaid at April 2002. The provision in respect of 2001 is an estimate based on the level of bad debts occurring in the period 1998-2000.

Appendix D OPW Memorandum (September 2002) on Future Operation of the Property Maintenance Service

Purpose

The purpose of this document is to examine the role and operations of the Property Maintenance Service of the OPW (including BMS) in the context of OPW's 'Statement of Strategy' document together with a number of recent internal reports and to make some recommendations for the future organisation, management and operation of the Property Maintenance Service.

The scope of this memorandum is maintenance in the Dublin area. Separate arrangements for the Regions outside Dublin and the Facilities Management functions will be examined in future memoranda.

Background

The present maintenance arrangements in the Dublin Area were inaugurated in 1985. Following the issue of Department of Finance Circular 1/85 departments were made responsible for certain cleaning and minor maintenance works. An Accommodation Officer was appointed in each department to be responsible for minor maintenance and repair works costing up to €1,270. Agreed amounts of money were transferred from the OPW Vote to each department's Vote to fund these works.

OPW retained responsibility for

- structural works
- installation of fire fighting equipment and other works in connection with fire and safety precautions
- other works which required a professional or technical input (e.g. electrical installations and repairs).

In Department of Finance Confidential Circular 5/88, departments were made individually responsible for carrying out maintenance work (which up to that time was being carried out by OPW by way of contracts) up to a value of €63,487. In Dublin, the Central Building Maintenance Workshop (CBMW)¹² were prepared, to the extent that its staffing resources permitted, to carry out urgent minor glazing and painting maintenance works for departments on request on a non-contract basis and without payment.

A number of State buildings were excluded from the scope of this Circular and remained the responsibility of OPW. Works to these buildings – termed 'exempt buildings' because they were exempt from any charge for works done - were carried out by OPW and funded from the OPW Vote.

Department of Finance Confidential Circular 1/94 provided revised arrangements whereby departments could arrange to have work carried out by a contractor or alternatively avail of OPW expertise by arranging for the execution of the works through CBMW, on a repayment basis.

Present Arrangements (Building Maintenance Service)

BMS carries out minor maintenance and development works on government and State buildings in the greater Dublin area at the behest of departmental Accommodation Officers. The Accommodation

12 The Central Building Maintenance Workshop was re-titled the Building Maintenance Service in 1996.

Officers (other than for 'exempt' buildings) are free to contract out the work as they see fit and BMS can be viewed as competing for this work with external contractors. In practice 90% of work is done by BMS.

The work of BMS can be classified as

- minor works, where work requires less than 1 day to complete and is carried out on the authority of the local overseer
- major jobs, where the work required takes in excess of 1 day to complete and the work is approved by an area manager
- specialist work, special projects of varying length involving one or more of the specialist crews e.g. painting, stonework, plastering, etc.

All jobs are costed on a time and materials basis and billable (non-exempt buildings) jobs are charged out on this basis. Where complaints or queries arise over variances between estimates and actuals, invoices may be adjusted at the discretion of the area manager and the Financial Controller.

Significant maintenance or developmental work e.g. a building extension or a major refurbishment is in general contracted out to external contractors by the Accommodation Officers either directly or through the Clerk of Works and District Architects.

Assessment of Present Arrangements

Accommodation Officers in the various departments have not been proactive in introducing the recommendations regarding cleaning and maintenance. Some buildings are still badly kept and are not cleaned adequately. This, in part, can be attributed to the fact that OPW did not arrange courses, provide handbooks and other requirements to ensure that Accommodation Officers are aware of their responsibilities and are equipped to carry them out and to the obvious and continuing lack of interest by senior management in their surroundings.

The funding arrangements never worked properly. Difficulties arose with recoveries as Government departments are not bound by the Prompt Payment of Accounts Act, 1997 when making payments for work carried out by OPW on an agency basis. OPW are concerned that this gives rise to a concerted effort on the part of the departments not to pay on time and possibly not to pay at all. This is not a problem for BMS work alone. OPW operates a system of General Maintenance Client Accounts for each department for works carried out on their behalf under contract. These accounts are for the main part, continuously in arrears due to departments defaulting on payment.

There were also problems with the computer billing system. During early 2000 OPW staff became aware that the bills being generated by the computer system did not add up to the actual costs of the individual jobs undertaken. The assessment of OPW Management is that it was a deficiency in the billing system rather than a lack of efficiency of BMS itself, which led to some of the problems.

The overall effect of the above was that BMS was left short on its recovery of costs.

Exempt Buildings

The concept of exempt buildings, whereby OPW maintain buildings of certain cultural or heritage significance without charge to the tenant departments, proved very successful and buildings have since been added to the list. In fact, it was so successful that the concept has been embodied in the National Cultural Institutions Act, 1997.

The Ideal Maintenance Model

From a customer's perspective, what should the 'ideal model' for a maintenance provider look like? It would have a number of features

- responsive — the service provider would respond within predetermined time limits depending on the urgency of the situation.
- professional — the work carried out would be done in a professional manner requiring little or no supervision by the client.
- readily available — the service would be easily and readily available on a 'one stop shop' basis i.e. one phone call by the client should in general result in action.
- flexible — the staff involved in providing the service would be flexible in their approach in meeting the exigencies of any particular job on a day to day basis.
- knowledgeable — ideally the maintenance staff should be familiar with the building being maintained e.g. services layouts, etc.
- minimum bureaucracy — there would be a minimum of form filling, approvals, sign-offs etc. required to get the job in hand completed.
- security — the work would be carried out with due regard for the security and sensitivities that inevitably arise in working on State properties.
- complete service — the service provider would provide the complete package to finish the job bringing in other service providers as required e.g. electrical and heating, specialist contractors, etc.
- competitive price — the service would be available at a competitive price.

Plan for BMS

Proposed Maintenance Arrangements

The following specialist crews, Painting (15 staff) Roofing (3), Plastering and Stone Restoration (22) will be assigned to the exempt buildings as and when required. Where capacity allows, these crews may be available to other departments under the direction of OPW management. Under this arrangement any works will be carried out without charge to the government departments concerned. The remainder of the BMS staff (approximately 190) will be assigned to particular exempt buildings to carry out all minor works etc.

All other works currently undertaken by BMS for other Government departments will be sourced from 'Measured Term Maintenance' contracts that will be managed centrally by the Property Maintenance Division.

Support will continue to be supplied for special events or non-standard work such as visits of Heads of State, EU meetings etc. These events will be managed under the direction of the Events Managers in the State buildings concerned.

Closing of Accounts

The management of the accounts is considered not to be cost effective given the circular nature of the payment transactions and the long experience of difficulty in pursuing departments for recovery of accumulated balances.

The OPW is seeking, in tandem with a revision of the 1994 Department of Finance procedures for the maintenance of government property, to alter these accounting arrangements. In particular, it is

proposed that, in future departments will make payments directly to contractors for works done under the draw down contracts. At that point OPW will cease charging for work. The timing of the new measures will be linked to the revision of the procedures.