Finance and Resources Committee

10.00am, Thursday, 24 September 2015

Transformation Programme: Property and Asset Management Strategy

Item number	7.2
Report number	
Executive/routine	
Wards	

Executive summary

This report sets out the business case for property and asset management which aims to deliver in excess of £9million recurring annual savings as part of the Council's wider Transformation Programme.

If the recommendations set out in the business case are approved it is estimated that the net saving in the first four years will be in the region of £18million, increasing to a net saving of approximately £80million over a 10 year period.

As well as seeking to deliver significant financial benefits the business case also aims to create a credible, focused and sustainable delivery organisation for property and facilities management; provide a fit for purpose, right-sized and safe estate; provide an appropriate level of service at an acceptable and efficient cost; and act in a commercial manner in pursuit of maximising value for the Council.

Links

Coalition pledges	
Council outcomes	
Single Outcome Agreement	

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Transformation Programme: Property and Asset Management Strategy

Recommendations

1.1 To approve the recommendations set out in the Deloitte business case as follows:

1.1.1 to speed up the consolidation of property related budgets and associated resources into Corporate Property in line with the assumptions underpinning the business case and to strengthen the property management control function by no later than 31 December 2015;

1.1.2 Continue to incorporate changes to the financial baseline through the change control process and to re-profile the current revenue savings from iPFM to the new Asset Management Strategy (AMS);

1.1.3 To proceed with the planned investment strategy outlined in Section 4 of the business case, including consolidation of the investment portfolio and reinvesting the sale proceeds into the acquisition of income generating assets;

1.1.4 To approve the adoption of the Enterprise Wide Strategic Partner model and to proceed with planning for the procurement of an Enterprise Wide Strategic Partner. This planning should include soft market testing to confirm market appetite, validation of indicative cost savings outlined in the business case and further work to confirm the scope of the Partner arrangement;

1.1.5 To recognise the requirement to remediate the revenue backlog maintenance. The prioritisation of addressing the backlog should be based on a proper risk assessment, which could result in a requirement for additional capital expenditure in maintenance projects;

1.1.6 To develop a revised Service Level Agreement (SLA) for FM services with estate users that reflects the proposed service delivery model;

1.1.7 To proceed with all of the Estate Rationalisation opportunities outlined in Section 3 of the business case through engagement with users of the estate. Furthermore, allocate resources to develop detailed implementation plans for these opportunities;

1.1.8 Allocate resources to reassess the core portfolio of operational assets (including libraries, museums and community centres) ensuring stakeholder engagement and exit planning where appropriate; and

1.1.9 Immediately review the current arrangement of transferring assets to EDI as the preferred option.

1.2 To note that the transformation blueprint assumes the Council's Corporate Property function will transfer to Corporate Operations (previously Corporate Governance) and will be led by a Head of Service. Given the ongoing significant financial pressures (currently £9million pa and increasing in future years) set out in this report, emergency transitional arrangements will be put in place to support and reorganise the function prior to appointing the permanent Head of Service. There will also be a requirement to agree the reconciliation of the respective budgets within the new Corporate Operations and Place directorates prior to any transfer occurring. All roles within the Council's Corporate Property function will consolidate within Corporate Operations.

1.3 Given the Capital Coalition's presumption against outsourcing of Council services this report sets out an alternative proposal (Plan B) for delivery of Facilities Management (FM). If the Committee does not approve the Enterprise Wide Strategic Partner Model, as recommended in 1.1.4 above, it is recommended that Plan B is approved in lieu of 1.1.4 as detailed in this report. It should be noted that this is not the preferred option for the following reasons:

a. The projected annual savings in relation to Facilities Management would be significantly less under Plan B. Deloitte estimate that the annual FM savings by year 2024/25 would be in the region of £2.7million as compared to approximately £6.1million under the Enterprise model, the savings would also be realised later and would not be guaranteed;

b. Importantly the net saving over the first four years is only £0.3million if the alternative proposal is adopted;

c. In order to deliver the reduced annual savings there would be a requirement for the Council to reduce staff numbers by approximately 250. It should be noted however that this is only an estimate and could increase following detailed work planning and re-design.

d. The implementation of Plan B would require additional expenditure in the region of £5.4million to cover additional investment and redundancy costs.

e. There are significant risks associated with any alternative proposal that could dilute the annual FM savings even further and/or seriously jeopardise the FM re-organisation as evidenced by previous experience with iPFM.

1.4 To note that Phase 1 of AMS Transformation Contract with Deloitte is complete, and agree that the Deputy Chief Executive approves implementation of the Phase 2 of the Transformation Contract in line with the conditions contained therein.

Background

2.1 The Council’s estate and related activities were reviewed in 2010, with the intention to outsource all Property and FM operations to MITIE under the Alternative Business Model (ABM). This model was rejected at the time and a decision was taken to retain Property and FM services in-house. Following this decision, the Integrated Property and Facilities Management (iPFM) Programme was established. The aim of the Programme was to drive cost efficiency and achieve improved levels of customer satisfaction

2.2 The majority of the original savings requirements set as financial objectives for iPFM have not been met. As a consequence, the Corporate Property function currently faces significant and ongoing deficit pressures which will accelerate unless significant change is implemented.

2.3 Current forecasts predict property expenditure will exceed the budget by a total of £124million over a 10 year period. Annual deficits will range between £9.2million in year 1 (financial year 2015/16) through to over £14million by year 10.

2.4 In March 2015, Deloitte was appointed to prepare an Asset Management Strategy (AMS) business case to support necessary and significant change for property and related services within the Council to establish an affordable and fit for purpose estate.

2.5 This AMS business case is now complete and is available in the Transformation Programme AMS data room. The business case demonstrates the financial and non-financial impact of the “do nothing” scenario and presents a wide range of options that have been considered to help achieve the overall objectives of the Transformation Programme. The business case also details the qualitative and quantitative assessment of adopting the proposed recommendations. Numbers have been modelled over a 10 year period in the business case.

2.6 The AMS business case is broken down into three core workstreams:

- ***Investment Portfolio Optimisation*** – Defines the investment portfolio strategy and outlines the key implementation steps and financial benefits of adopting the proposed strategy.
- ***Estate Rationalisation*** - Outlines cost saving proposals to reduce the size of the estate. This takes into consideration the Transformation Programme’s organisational redesign which will affect the size, shape and location of the future estate; and
- ***Service Delivery Optimisation*** – Evaluates a range of FM service delivery models to generate long term efficiency and cost benefits, whilst achieving service delivery requirements;

2.7 The business case also discusses the consolidation of property related budgets and associated resources into Corporate Property from other Council departments and the strengthening of the property management control function.

Main report

Business Case Summary

Investment Portfolio Optimisation

3.1 The Council's non-operational investment portfolio consists of 1,124 assets (excluding HRA, Transport and Culture and Sport) with an estimated value of £222.2million. In 2014/5 this generated a net rental income of £11.5million per annum to the Council. As at 1 April 2015, 79% of income was derived from just 50 of these assets.

3.2 The AMS business case concludes that the current investment strategy is not clear and has little or no prioritisation. The portfolio is very diverse compared with most investment portfolios and there are a large number of concessionary rental agreements hiding the true costs of awarded subsidies. Deloitte has also identified a need to significantly improve management information and to update software systems to support this.

3.3 The business case recommends the implementation of a clear investment strategy to be applied to the existing portfolio and considered for future investment decisions which, if implemented, will result in a smaller, more focused and better performing portfolio. Particular attention is drawn to the movement of concessionary rental agreements to market rents, with complementary budget reallocation where appropriate and approved. Furthermore it recommends the procurement of a new off-the-shelf Estates IMS solution.

3.4 In implementing the proposals set out in the business case Deloitte estimates that an increase in income of around £2million can be achieved by year 4 (2018/19).

Estate Rationalisation

3.5 This relates to the Council's operational portfolio spanning offices, schools, theatres, museums, care homes, community centres and parks.

3.6 Changes in the size and shape of the Council workforce will require a restructured estate to match. The size of the estate footprint is increasing rather than decreasing, and a large proportion of the estate is in poor condition with an increasing backlog of maintenance needs. The business case concludes that the only way to deliver a lower cost, fit-for-purpose and safe estate, whilst meeting the financial saving targets, is to reassess and reprioritise the Council's core portfolio and to also increase the rationalisation of non-office assets. Furthermore the business case concludes that the current arrangements with

EDI and surplus assets are not clear. This could potentially have a significant negative impact on wider capital investment plans for the Council.

3.7 To align the portfolio to future footprint requirements and achieve savings through a transition towards a smaller and better quality estate the business case recommends implementing a portfolio restructuring to respond to the emerging Council footprint; reviewing opportunities for rationalisation of non office portfolio through a cross departmental and stakeholder forum; extending modern work practices to encourage flexibility and reduce costs; and establishing a new governance framework for property disposals with particular reference to current disposal arrangements in place with EDI.

3.8 In implementing the proposals set out in the business case Deloitte estimate that annual savings in the region of £2million can be achieved by year 4 increasing to approximately £2.5million by year 7.

Service Delivery Optimisation

3.9 Service Delivery Optimisation covers hard and soft facilities management services (FM), asset management planning, capital project design and management and attendant support services. Annual costs are approximately £48million with most services delivered in-house.

3.10 There are a number of key issues that the business case is seeking to address and these can be broken down into three categories (Commercial/Service Level/Staff Impact).

3.11 In the commercial category, annual costs are in excess of industry benchmarks with little access to best practice, Edinburgh Building Services (EBS) is not demonstrating a good level of service or value for money. Cost data and management information is relatively poor and there is a significant under investment in planned and lifecycle maintenance. With regards to service levels there is a decreasing satisfaction with the current service and limited Service Level Agreements are in place. The asset database roll out has been significantly delayed and backlog maintenance is increasing. Furthermore governance processes are not clear or formalised. With regards to staff impacts, the Council has an ageing workforce with very limited development and training opportunities. This limits the opportunity to access best practice techniques and investment.

3.12 Five options for Service Delivery Optimisation have been considered by Deloitte in the business case as well as a “do nothing” scenario. The Options considered are:

- Technical Advisor
- Managing Agent
- Service Partner
- Joint Venture

- Enterprise Wide Strategic Partner

3.13 All five options were measured against strategic objectives and critical success criteria set out in the business case. Managing Agent and Enterprise Wide Strategic Partner were shortlisted.

3.14 In the final analysis the Enterprise Wide model scored significantly better. Deloitte also note a number of risks associated with the Managing Agent approach. These include:

- insufficient appetite from the market to engage with the Council in a Managing Agent role at a competitive price;
- the Council not attracting the required calibre of staff from the Managing Agent as these individuals could generate higher revenue for their employers on Total Facility Management contracts elsewhere; and
- savings being realised later than required due to the time it would take to procure a managing agent and reduce staff numbers;

3.15 The estimated savings levels, relative to the Enterprise Wide model, are also insufficient to meet the Council's programme objectives. The Enterprise Wide model can deliver over 2.5 times the annual financial benefits of any other model set out in the business case. Figure 1 sets out the comparative annual savings of three of the options including Technical Advisor and the two shortlisted options. The Service Partner and Joint Venture models both involved TUPE transfer of operational staff, and scored lower than the Enterprise Wide model in the options appraisal. Neither model was therefore taken forward.

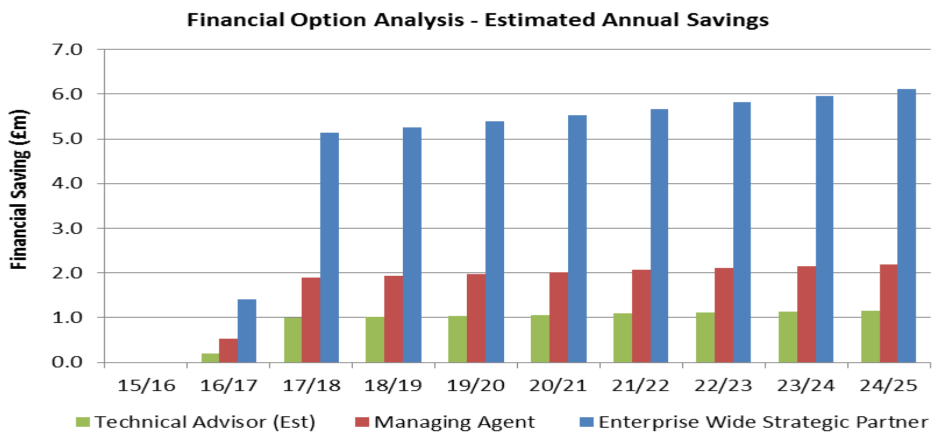


Figure 1 – Financial Option Analysis Annual Savings

3.16 The annualised savings shown above translate into 10 year savings of approximately £9million for the Technical Advisor, £17 million for the Managing Agent and £46million for the Enterprise Wide Strategic Partner. These savings are not net of any restructuring costs such as external advisors fees or redundancy costs.

3.17 Deloitte conclude that the Enterprise Wide Strategic Partner model can drive efficiencies more effectively than any of the other models assessed and therefore deliver significantly higher savings. When set against the categories the business case is seeking to address this can be achieved through:

Commercial

- reducing cost of delivery by up to 10% from cross-service synergies and economies of scale;
- joined up responsibility supporting a lifecycle approach if incentivised correctly; and
- driving efficiencies in the management and delivery of services.

Importantly this route to cost savings can be achieved without significant redundancy costs to the Council

Service level

- single accountability for performance; and
- increased levels of investment in service development and energy management in return for greater scope/revenue.

Staff impact

- transferring staff (with TUPE protection) to the supplier, who will develop staff to support their wider operations.

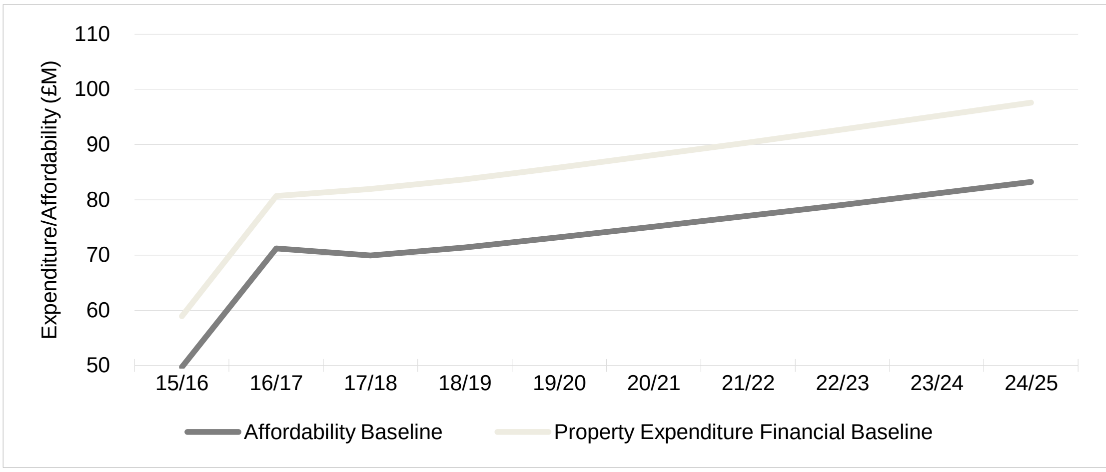
Overall the Enterprise Wide Strategic Partner model best meets the range of Strategic Objectives and Critical Success Factors set out in the business case. On this basis Deloitte recommend that soft market testing should be carried out to confirm market appetite, validate the indicative cost savings outlined in the business case and to confirm the scope of the Partner arrangement including how any future contract may be structured.

Financial Summary

3.18 A summary of the Property Expenditure, Income and Capital Financial Baselines are set out in the AMS business case.

3.19 The business case demonstrates that property expenditure is forecast to exceed the expenditure budget (affordability baseline) in each financial year up to 2024/25. Unless significant measures are put into effect immediately to help address the current and projected overspend, deficits will continue. This will create further financial pressures on Corporate Property and consequently, will adversely affect service delivery. Figure 2 sets out the profile of the Affordability Baseline against the Property Expenditure Financial Baseline.

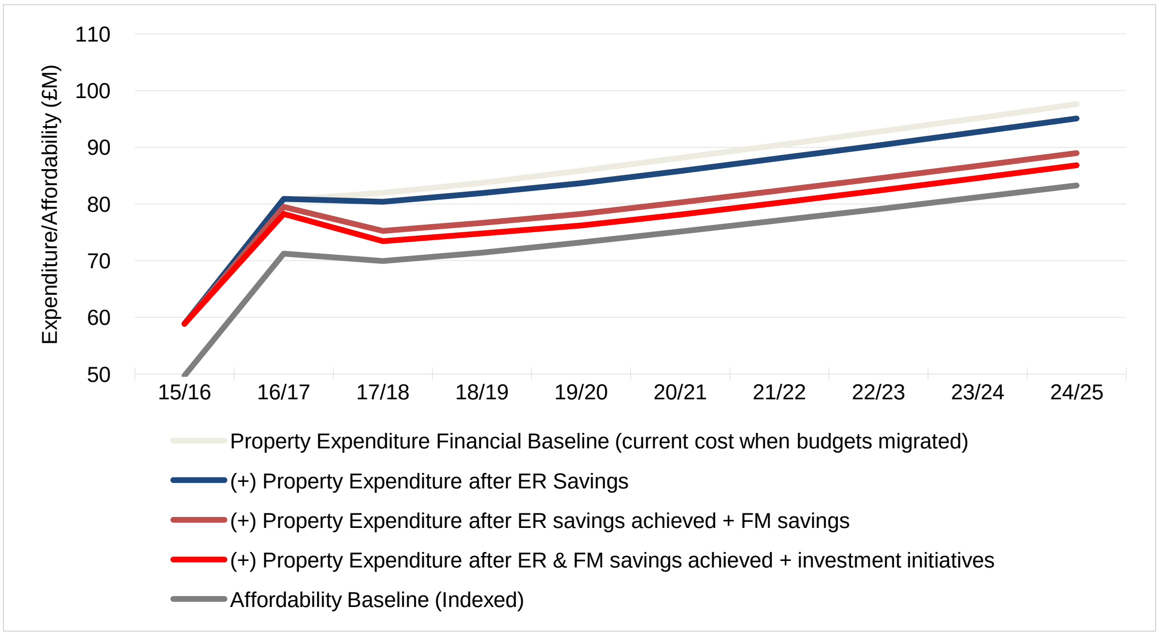
Figure 2 – Ten Year Affordability vs Property Expenditure



3.20 If all of the initiatives set out in the business case are fully implemented, there would be a significant impact on the projected overspend in Corporate Property. There may also be an opportunity to ringfence a proportion of any savings to fund much needed maintenance of the Council's operational estate including schools.

3.21 The financial benefits of these savings initiatives can be summarised in Figure 3 and the accompanying table below.

Figure 3 – AMS Savings vs Property Expenditure & Affordability Baseline



Estimated savings from AMS initiatives

Financial Year		15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Existing Deficit	(£M)	**(9.2)**	**(9.5)**	**(12.1)**	**(12.3)**	**(12.6)**	**(13.0)**	**(13.3)**	**(13.6)**	**(14.0)**	**(14.4)**
Savings from ER	(£M)	0.1	-0.2	1.6	1.8	2.2	2.3	2.4	2.4	2.5	2.5
Savings from FM	(£M)	0.0	1.4	5.1	5.2	5.4	5.5	5.7	5.8	6.0	6.1
Income from IP	(£M)	0.0	1.3	1.8	1.9	2.1	2.1	2.1	2.1	2.1	2.1
Total AMS Savings	(£M)	**0.1**	**2.4**	**8.6**	**8.9**	**9.7**	**10.0**	**10.2**	**10.4**	**10.6**	**10.8**
Revised Deficit post AMS initiatives	(£M)	**(9.1)**	**(7.0)**	**(3.5)**	**(3.4)**	**(3.0)**	**(3.0)**	**(3.1)**	**(3.3)**	**(3.4)**	**(3.6)**

Source: AMS analysis

ER = Estates Rationalisation FM = Service Delivery Optimisation IP = Investment Portfolio Optimisation

3.22 Whilst implementing all the measures set out in the business case would have a significant impact on the projected overspend in Corporate Property, it would still not eradicate the projected deficit. From 2017/18 onwards the Council would still need to fund an annual deficit of between £3million and £3.6million.

3.23 At the Finance and Resources Committee on 15 January 2015 the Capital Coalition Motion in relation to Item No. 7.3, *BOLD Business Cases: delivering a lean and agile Council* notes at point 5 that "the overall transformation programme will be undertaken against the framework of…a presumption against outsourcing of Council services"

3.24 The Enterprise Wide Strategic Partner model does envisage outsourcing Council services and in response to the above Motion the AMS team was asked to provide an alternative proposal that would retain services in-house. This is presented below as "Plan B". It should be noted however that any alternative to the Enterprise Wide Strategic Partner model will deliver significantly lower annual savings which will only serve to increase the pressure on the deficits set out in the table above.

Alternative Proposal (Plan B)

3.25 Under Plan B Facilities Management is retained in-house and re-built using a combination of Council and external resources provided by Deloitte.

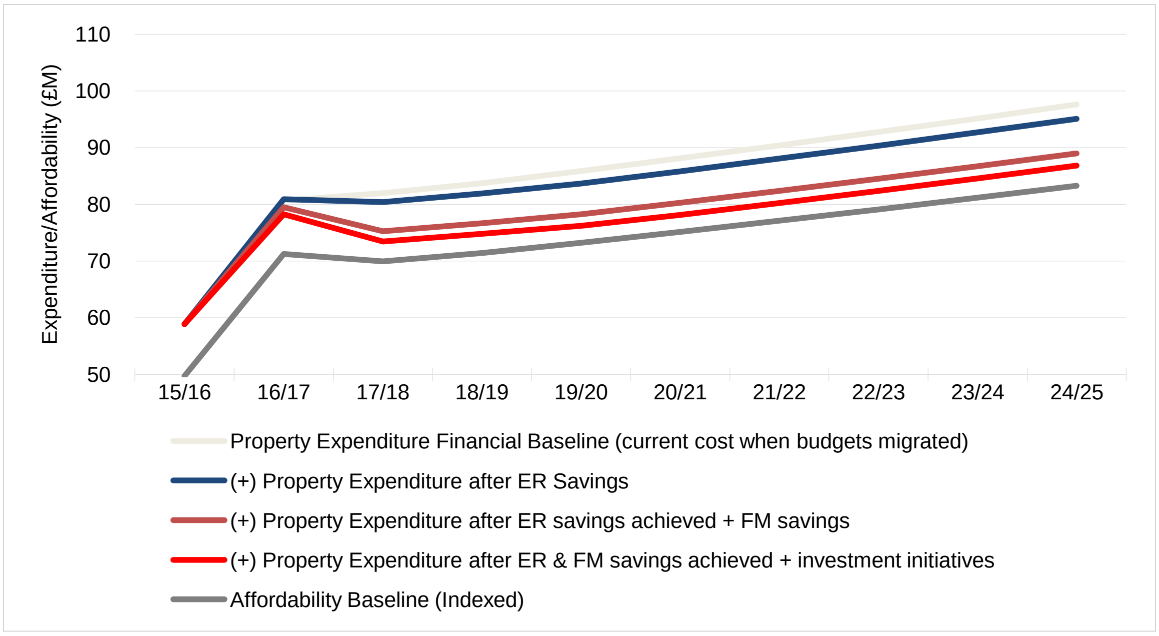
3.26 The Investment Portfolio and Estates Rationalisation strategies set out in the AMS business case would not alter and would be delivered by the in-house team with external support.

3.27 The Plan B model would involve the rebuilding of the FM business from the bottom up including a full restructuring of the current in-house team. The plan would not require TUPE transfer of staff but redundancies and resources to administer redundancies would be required. Investment in technology, training and new recruitment would also be required and the Council would be responsible for the performance management of staff and leading negotiations with trade unions during the redundancy programme.

3.28 The projected annual savings in relation to Plan B would be significantly less than the Enterprise Wide Model. Deloitte estimate that the annual savings by year 2024/25 would be in the region of £2.7million for Facilities Management as compared to approximately £6.1million under the Enterprise model.

3.29 The financial implications of adopting Plan B are summarised in Figure 4 and the accompanying table below.

Figure 4 – Plan B Savings vs Property Expenditure & Affordability Baseline



Financial Year		15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Existing Deficit	(£M)	**-9.2**	**-9.5**	**-12.1**	**-12.3**	**-12.6**	**-13**	**-13.3**	**-13.6**	**-14**	**-14.4**
Savings from ER	(£M)	0.1	-0.2	1.6	1.8	2.2	2.3	2.4	2.4	2.5	2.5
Savings from FM	(£M)	-0.4	-0.3	-1.8	2.1	1.9	2.4	2.4	2.6	2.6	2.7
Income from IP	(£M)	0	1.3	1.8	1.9	2.1	2.1	2.1	2.1	2.1	2.1
Total AMS Savings	(£M)	**-0.3**	**0.8**	**1.6**	**5.8**	**6.2**	**6.8**	**6.9**	**7.1**	**7.2**	**7.3**
Revised Deficit post AMS initiatives	(£M)	**-9.5**	**-8.7**	**-10.5**	**-6.5**	**-6.4**	**-6.2**	**-6.4**	**-6.5**	**-6.8**	**-7.1**

3.30 Under Plan B there are additional management costs in the early years and savings would be realised later as the in-house team begins to restructure. A comparison of costs are set out later in this paper.

3.31 It should also be noted that 100% of the financial saving will be delivered from the point of contract go-live under the Enterprise Wide Model. By comparison Plan B will take a further 12-18 months to deliver any FM financial savings.

3.32 A more detailed comparison of the options is set out below.

3.33 If a decision is taken to adopt Plan B then consideration needs to be given to a number of operational risks that could significantly reduce any FM savings. These include:

a. Scale and complexity of challenge – The Council will be rebuilding a 2,000 strong FM business covering aspects such as new service levels and work scheduling through to performance management, training and IT infrastructure;

b. Management capability and capacity – FM is not core business and the Council will need to attract and retain specialist managers at a higher cost, this is likely to require working outside current Council salary bands;

c. No long term access to market best practice – The Council will need to build this capability within the current team and invest so that it becomes capable of continuous improvement;

d. Lack of flexibility in workforce – The Council will need increased freedoms to transform the workforce. These changes will be significant and will include approximately 250 redundancies, changes to shift patterns and a move to flexible working arrangements, changes to some employees current Terms & Conditions and revised pay bands for some management positions;

e. Lack of agility in decision making - To ensure decisions are made in a timely manner robust revised governance arrangements will need to be put in place. The Council’s senior management team will require a level of delegated authority within paramaters agreed with the Finance & Resource Committee;

f. Lack of investment to enable funding –Investment will need to be made available to enable change; and

g. Lack of track record – iPFM failed to achieve estimated savings or change

Comparison of Enterprise Wide Model and Plan B

3.34 The cost to implement the Enterprise Wide Model are estimated to be £2.3million. This is compared with the Plan B implementation costs estimated to be £7.7million.

3.35 The two key areas of difference in implementation costs are as follows:

a. Facilities Management Delivery - The Council will need to create and fund a new training programme for FM staff and implement a new IT system to monitor service levels, work undertaken, costs at a site level and asset condition. This is currently assumed to be an additional £1.0M but will need further validation.

b. Redundancy Costs – Under Plan B the Council is not able to redeploy staff onto other contracts and will need to restructure the workforce internally and make redundancies. The current estimated savings assume a reduction of 200-300 staff based on discussions with Management, though further detailed work planning and redesign is required to establish the actual level of redundancy.

3.36 Once the current estimate of implementation costs are deducted from the gross savings Plan B will generate just £0.3M in net savings over the first four years. This is shown in the table below.

PLAN B: Alternative Proposal (£M)

Financial Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Savings	-0.3	0.8	1.6	5.8	6.2	6.8	6.9	7.1	7.2	7.3
Implementation Costs	1.0	3.0	3.7							
Net Saving	**-1.3**	**-2.2**	**-2.1**	**5.8**	**6.2**	**6.8**	**6.9**	**7.1**	**7.2**	**7.3**
Net Savings Total (4 Year)				**0.3**						
Net Savings Total (10 Year)										**41.8**

3.37 The tables below show that the Alternative Proposal delivers £17.4M less in financial savings over the next four years compared to the Enterprise Wide model. This rises to £37.6million over the 10 year appraisal period which would increase the deficit from £45M to £83M over the same 10 years.

PLAN A: Enterprise Wide (£M)

Financial Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Savings	0.1	2.4	8.6	8.9	9.7	10	10.2	10.4	10.6	10.8
Implementation Costs	0.9	1.4								
Net Saving	**-0.8**	**1.0**	**8.6**	**8.9**	**9.7**	**10.0**	**10.2**	**10.4**	**10.6**	**10.8**

PLAN B: Alternative Proposal (£M)

Financial Year	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	24/25
Savings	-0.3	0.8	1.6	5.8	6.2	6.8	6.9	7.1	7.2	7.3
Implementation Costs	1.0	3.0	3.7							
Net Saving	**-1.3**	**-2.2**	**-2.1**	**5.8**	**6.2**	**6.8**	**6.9**	**7.1**	**7.2**	**7.3**
Difference	**0.4**	**3.2**	**10.7**	**3.1**	**3.5**	**3.2**	**3.3**	**3.3**	**3.4**	**3.5**
4 Year Difference (£M)				**17.4**						
10 Year Difference (£M)										**37.6**

Conclusions

3.38 There is clearly a need to implement measures in relation to the Council's estate and estate related activities and the proposals set out in the attached business case will deliver significant annual savings. The Enterprise Wide Strategic Partner model delivers significantly greater benefits than any other service delivery model and accounts for over 50% of the annual savings projected by Deloitte.

3.39 Despite this, an alternative FM delivery model has also been considered in response to the Council's a presumption against outsourcing of Council services. This is not the preferred solution for the reasons set out above and would reduce the potential annual savings significantly while requiring additional expenditure in the region of £5.4million. Importantly the net saving over the first four years is only £0.3million.

3.40 This needs to be considered against a backdrop of the Council still having to fund an annual deficit of up to £3.6million even after all the measures proposed in the business case have been implemented. There are also significant risks associated with any alternative proposal that could dilute the annual FM savings even further or indeed lead to failure of the FM re-organisation as evidenced by previous experience with iPFM.

3.41 In support of the proposals set out in this report Deloitte will need to be retained to either assist in the delivery of the proposals set out in the AMS business case or to assist with implementing Plan B. Deloitte was appointed as successful bidder under a Consultancy One Multi-Specialism Project Delivery Framework Agreement contract following a competitive, quality and outcomes-evaluated tender process, through delegated authority from the Convenor and Vice-convenor of the Finance and Resources Committee and the Director of Corporate Governance, in April 2015.

The contract comprised two sequential phases:

Phase 1 – Development of plans into a business case

Phase 2 – Implementation of those plans which were successful in progressing through the initiatives, once approved by the Council boards as appropriate.

Deloitte can therefore be engaged immediately to begin delivery and delegated approval is requested in this report under the existing agreement for Deloitte to deliver the Implementation Phase.

Measures of success

4.1 The business case has identified significant financial and non-financial benefits associated with the asset management and Corporate Property function that are in line with the wider objectives of the Council's Transformation Programme.

Financial impact

5.1 The Council's Corporate Property function will transfer to Corporate Operations (previously Corporate Governance) and will be led by a Head of Service. Given the ongoing significant financial pressures (currently £9million pa and increasing in future years) set out in this report, emergency transitional arrangements will be put in place to support and reorganise the function prior to appointing the permanent Head of Service. There will also be a requirement to agree the reconciliation of the respective budgets within the new Corporate Operations and Place directorates prior to any transfer occurring. All roles within the Council's Corporate Property function will consolidate within Corporate Operations.

5.2 Whilst implementing all the measures set out in the business case would have a significant impact on the projected overspend in Corporate Property it would still not eradicate the projected deficit. From 2017/18 onwards the Council would still need to fund an annual deficit of between £3million and £3.6million.

5.3 There are external implementation costs associated with delivering the AMS business case and these are set out in this report.

Risk, policy, compliance and governance impact

6.1 Recommendations in Deloitte business case are not approved leading to significantly reduced annual savings.

6.2 Procurement of the Enterprise Wide Strategic Partner is delayed and financial savings are not realised in line with the projections set out in the business case.

6.3 Implementation of the Estates Rationalisation and/or the Investment Portfolio Optimisation cannot be delivered in the timescales envisaged due to stakeholder resistance.

6.4 Additional financial pressures are brought to bear, for example, implementing the revenue backlog maintenance and addressing any health and safety issues.

Equalities impact

7.1 The contents and proposals of this report have been assessed with respect to the Equality Ac t 2010 public sector equality duty. In this regard, an equality and rights impact assessment has been initiated, and initial findings have indicated:

1. Reducing property costs, specifically the proposal to identify an enterprise wide strategic partner, will enable greater savings to be realised, which in turn will enable more effective protection of frontline services to vulnerable citizens, and meeting demographic pressures.
2. Projects exploring the feasibility of asset transfer to community groups could empower communities, particularly those in deprived communities.
3. Any impacts on employment conditions as a result of different service delivery models will be assessed further through the impact assessment process.

4. Any changes to concessionary lets to third sector and community groups, and consequent impacts, could be managed through the grants and contracts process.
5. Co-location opportunities, if delivered, could improve and simplify access to council and partner services, especially those individuals or families who require multiple services.
6. Proposals to improve the coordination of asset management, and to drive forward property rationalisation, should lead to improvements in physical accessibility at council premises.

Sustainability impact

8.1 The contents and proposals contained in this report have been assessed with respect to the Climate Change (Scotland) Act 2009. In this regard, a sustainability, adaptation and mitigation impact assessment has been initiated, and initial findings have indicated:

1. A need to further improve energy efficiency within council buildings in order to tackle green house gas emissions, and to save money on energy costs and carbon taxes.
2. A need to further improve internal waste reduction measures within council buildings, linked to the council's wider waste minimisation strategy. Such improvements will lead to savings being released from landfill taxes and carbon taxes, and will militate against greenhouse gas emission which emanate from landfill.
3. Opportunities to minimise staff travel through smarter working and co-location across the council's estate should save the council money on transport costs, carbon taxes and will militate against greenhouse gas emissions.
4. Any future facility management service delivery models would need to take cognisance of the 'Food for Life' and 'Soil Association' accreditation projects to ensure the food provided in council premises was sustainable, sourced locally and seasonal.

Consultation and engagement

Corporate Leadership Group – 5 August 2015

Capital Coalition – 10 August 2015

Capital Coalition Working Group – w/c 24 August 2015

Background reading/external references

Item 8.2 - Council Transformation Programme: Status Report - 25th June, City of Edinburgh Council

Alastair Maclean

Deputy Chief Executive

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Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 - Edinburgh's communities are safer and have improved physical and social fabric
Appendices	