

Finance and Resources Committee

10.00am, Thursday, 23 February 2017

Asset Management Strategy Transformation Programme - Update

Item number	7.2
Report number	
Executive/routine	
Wards	

Executive summary

This report provides a progress report to the Finance and Resources Committee on the implementation of the Asset Management Strategy (AMS) for Property and Facilities Management.

Links

Coalition pledges
Council outcomes
Single Outcome Agreement

Asset Management Strategy Transformation Programme - Update

1. Recommendations

- 1.1 That the Committee:
 - 1.1.1 Notes the continued progress in each of the key AMS Transformation Programme work streams; and
 - 1.1.2 Notes the Management Information dashboard reports provided in Appendix 1.

2. Background

- 2.1 The AMS is a work stream within the wider Council Transformation Programme, aimed at achieving cost savings and delivering an improved service through a new operating model.
- 2.2 The AMS programme aims to create a credible, focused and sustainable delivery plan 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.
- 2.3 The Finance and Resources Committee considered the Property and AMS on 24 September 2015. Committee approved the adoption of an in-house delivery model which included a significant investment in technical support over the next few years. In November 2015, Committee further approved that this should be delivered directly by the Council rather than through a Council subsidiary.
- 2.4 This paper provides an overview of the status of the programme and the work completed over the last period.

3. Main report

- 3.1 Good progress has been made since December across the AMS work streams. A summary of progress is provided below and the Management Information dashboards containing further information and KPI's are provided in Appendix 1.

Transition and Facilities Management (FM)

- 3.2 Matching and assignment for the organisational review for non-FM staff below tier four is now complete.
- 3.3 A decision was taken in November to split the next stage of review into two tranches. The first tranche (3a) commenced on 30 November 2016 and closed on 16 January 2017 and matching and assignment for 3a is now underway. This tranche includes janitorial, cleaning and catering management, security, commercial management and performance and audit.
- 3.4 Planning for stage 3b, which includes all remaining staff in janitorial, cleaning and catering, is now well underway and formal staff consultation is due to commence in early March.
- 3.5 FM processes continue to be developed alongside the refinement of the design of the future organisation structure to document and improve ways of working, including a complete re-design of the Helpdesk service within the Customer Contact Centre to enable the service to work more efficiently and effectively going forward.
- 3.6 A facilities management mobilisation team is currently being formed with the intention of rolling out the new FM model in summer 2017.

Estates Rationalisation

- 3.7 Work is currently focused on gathering team data to inform the reorganisation of the office portfolio, identifying team numbers and optimum location. A number of workshops have been held with each locality team to identify strategic principles of the requirement at locality level. Locality hubs and outreach locations are being identified. A generic list of teams that are expected to require a locality base has been developed and is currently being tested with the locality managers, to inform the optimum location. Draft strategies are now beginning to emerge which will be worked up into detailed space planning proposals over the next two months.
- 3.8 Engagement with partners regarding shared use of space within Waverley Court and the locality offices is ongoing. Focus is on ensuring that data security can be achieved, and co-located models elsewhere in Scotland are being drawn upon for solutions to this issue. A further strand of the office reorganisation is the development of the customer hub at 249 High Street to support the relocation of services from 329 High Street and Lothian Chambers. Detailed proposals are being developed and costed to deliver this.

Investment Portfolio

- 3.9 A paper seeking approval for the strategy for concessionary lets within the portfolio will be brought to the Finance and Resources Committee in coming months. As reported previously the recommended position is that there are no new concessionary lets moving forward. In addition, existing concessionary lets will be reviewed at expiry of lease. In some instances, service areas may

propose to subsidise rental levels from their own budget due to the nature of the services provided from the property. However, each case will be reported to the Finance and Resources Committee to be considered on its own merits. The intention is to eventually phase out concessionary lets, unless specifically approved by Committee, and replace the approach with the Council's legal requirements under community asset transfer.

- 3.10 The strategy on the future of Lothian Chambers and 329 High Street was considered at the meeting of the Economy Committee on 7 February 2017.
- 3.11 A report seeking approval for the leasing of space within Waverley Court to CGI will be brought to the Finance and Resources Committee in March.
- 3.12 Business as usual continues to function with the portfolio rental income projected to increase in excess of the 2% per annum target for financial year 2016/17.
- 3.13 Opportunities for financial savings continue to be identified which will be recorded in the savings tracker for the workstream. Future major events in the portfolio, such as lease expiry dates for the major income producing assets have been identified with work being undertaken now to protect against any temporary loss of income while the future of such assets are determined.

Asset Condition

- 3.14 Tender returns for the outsourced element of the survey programme were received in December 2016 and a contract awarded to Faithfull and Gould Limited following the tender evaluation process.
- 3.15 Mobilisation activities are now progressing with a view to commencing pilot surveys in February ahead of the main survey programme. Communications are being issued to building users in conjunction with detailed scheduling to ensure maximum efficiency and minimise disruption.
- 3.16 Enabling information has been collated to support the survey programme comprising asset lists, building plans, site contact details and historic survey and health and safety information.
- 3.17 The CAFM system is now ready to receive the survey data. Further work is ongoing to ensure reporting functionality meets the expected outcomes once all of the data is collected.
- 3.18 All activities and milestones are on programme to complete the survey exercise by summer 2017.

Next Steps

- 3.19 The following are the key activities planned in the next period:
 - 3.19.1 Continue the roll out of the next stage of transformation in relation to facilities management;
 - 3.19.2 Continue the roll out of the CAFM system to ensure the system meets the requirements and functionality of the new service going forward;

- 3.19.3 Continue to deliver the detailed engagement for each of the business cases approved by the Corporate Leadership Team in relation to estates rationalisation;
- 3.19.4 Continue to define accommodation demand strategies at a high level, working closely with Locality Managers;
- 3.19.5 Further development of the Investment Portfolio strategy including completion of the strategy and report on the recommended policy for dealing with concessionary lets; and
- 3.19.6 Commence work on the required asset condition surveys.

4. Measures of success

- 4.1 The AMS business case identified significant financial and non-financial benefits associated with the asset management and Property and Facilities Management function that are in line with the wider objectives of the Council's Transformation Programme.
- 4.2 A benefits tracker has been designed to monitor the qualitative and non-qualitative benefits of the AMS Transformation Programme and, where possible, the corresponding implementation costs associated with the initiatives. Although AMS aims to principally deliver revenue savings targets through estate rationalisation, organisational redesign and investment portfolio initiatives, there are also consequential impacts on the capital budget that also need to be monitored. This includes, for example, capital requirements as part of any implementation costs and capital receipts from any proposed disposal initiatives.
- 4.3 The benefits tracker therefore tracks the revenue and capital implications of any financial savings initiatives. These benefits, along with qualitative impacts, have been categorised into the following three areas:
 - 1. Direct cashable savings e.g. reduced operating costs from closure of a building;
 - 2. Non-cashable efficiencies e.g. the reduction in required revenue maintenance spend as a result of the building closure (which is then redeployed); and
 - 3. Qualitative benefits e.g. improved customer satisfaction in relocating a service to a property that is more fit for purpose.
- 4.4 The benefits tracker has been populated based on emerging findings to date. Further work is currently underway to refine initiatives in all work streams and, once respective milestones have been reached across these work streams, the benefits tracker will be fully populated and act as a baseline from which the benefits can be measured.
- 4.5 The Management Information dashboards provided in Appendix 1 have been developed to track key KPI's across the AMS work streams.

5. Financial impact

- 5.1 The total budget for AMS implementation is £7.7m, of which £3.4m has been allocated for external support. Other cost heads include the Estates Rationalisation (office restack), Condition Surveys, FM Training, equipment, vehicles and ICT (CAFM). These sums can be contained within the remaining budget for AMS implementation.
- 5.2 The savings tracker has been updated recently to reflect the work currently underway. The tracker sets out the original AMS savings targets agreed with the Finance and Resource Committee in September 2015 and the AMS savings forecast through to 2019/20.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
AMS SAVINGS TARGET	0.800	1.600	5.800	6.200
Service Redesign Total	0.362	1.220	2.084	2.601
Estates Rationalisation Total	0.168	0.906	1.628	1.628
Investment Estate Total	0.107	0.750	1.221	2.162
AMS SAVINGS FORECAST	0.637	2.875	4.934	6.391

- 5.3 While the savings forecasts are broadly in line with the original targets, the profiling has changed, the stated aim of achieving £6.2m by 2019/20 however remains unchanged.
- 5.4 There are a number of assumptions underpinning the projections. These include broad support by users of the Council estate for the new facilities management operating model; political and management support to deliver the estates rationalisation strategy (including the letting of areas of Waverley Court); and support to reinvest capital from asset disposal to realise the objectives of the investments work stream together with an ability to increase some concessionary rents over the period.

6. Risk, policy, compliance and governance impact

- 6.1 Key delivery risks and mitigations are provided in the Management Information dashboards provided in Appendix 1.
- 6.2 The top delivery risks currently include:
- There is a risk that a lack of capital funding, due to budget constraints, leads to the Councils inability to reduce the backlog maintenance across the estate;

- As a result of the Lifelong Learning Review in Communities and Families there is risk that additional work may be imported into FM including tasks previously carried out by CLD workers and extended unmanned opening hours in libraries. In response to this the team is currently developing, in conjunction with Communities & Families and Business Support, a matrix of responsibility highlighting any gaps in the level of service being provided;
- As a result of the ongoing development of proposals for Edinburgh Leisure to take control of Council assets for recreational use, there is a risk that the savings in the AMS programme will be eroded. In response to this risk the team is compiling a list of assumptions underpinning the AMS business case in relation to schools opening times and assumptions on usage for extra-curricular activities. This will then be used to monitor any changes and allow proposals in relation to Edinburgh Leisure to be evaluated from an FM perspective;
- There is a risk that a delay to the implementation of CAFM impacts on the delivery of the Blueprint and cost savings profile; and
- As reported previously there is also a risk that a lack of stakeholder and political support for the Property and Facilities Management transformation proposals leads to a failure to deliver the agreed cost savings.

7. Equalities impact

- 7.1 The contents and proposals of this report have been assessed with respect to the Equality Act 2010 public sector equality duty. In this regard, an equality and rights impact assessment has been initiated, and initial findings have indicated:
- 7.1.1 Reducing property costs 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;
 - 7.1.2 Projects exploring the feasibility of asset transfer to community groups could empower communities, particularly those in deprived communities;
 - 7.1.3 Any impacts on employment conditions as a result of different service delivery models will be assessed further through the impact assessment process;
 - 7.1.4 Any changes to concessionary lets to third sector and community groups, and consequent impacts, could be managed through the grants and contracts process;
 - 7.1.5 Co-location opportunities, if delivered, could improve and simplify access to council and partner services, especially those individuals or families who require multiple services; and

- 7.1.6 Proposals to improve the coordination of asset management, and to drive forward property rationalisation, should lead to improvements in physical accessibility at council premises.

8. 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:
- 8.1.1 A need to further improve energy efficiency within council buildings in order to tackle greenhouse gas emissions, and to save money on energy costs and carbon taxes;
 - 8.1.2 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;
 - 8.1.3 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; and
 - 8.1.4 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.

9. Consultation and engagement

- 9.1 Communications have been established with the Trade Unions and regular meetings are held in relation to transformation. Engagement across the Council is also underway in relation to the re-design of the FM function and the development of SLAs. One to one meetings are also being held with Community Centres in relation to FM re-design.

10. Background reading/external references

- 10.1 Please refer to [September 2015](#), [November 2015](#), [January 2016/March 2016](#), [June 2016](#), [September 2016](#) (item 7.2) and [December 2016](#) Finance and Resources Committee papers.

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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	<p>SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all</p> <p>SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health</p> <p>SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential</p> <p>SO4 - Edinburgh's communities are safer and have improved physical and social fabric</p>
Appendices	Appendix 1 – Management Information Dashboard

Ref	Milestone Title/Description	February				March				April				Project Dependencies
	Lothian Chambers and 329 High Street Paper to Economy Committee													<ul style="list-style-type: none"> ICT/CGI deliver on CAFM roll out. Head Teachers and Trade Unions in relation to FM re-design. Community Centres and Libraries in relation to estates rationalisation and FM re-design. Communities & Families in relation to Community Centres, Libraries and Schools
	FM Management and Security structures operational (End Feb)													
	FM Organisational Review Phase 3b – Launch Week (Early March)													



KPI Tracking

KPI	RAG	COMMENTS
Number of projects at each key stage of the identified rationalisation process	Green	All projects currently on track
Reduction in operational property costs	Green	Baseline is 0 until project implementation
Increase in income from operational assets	Green	£167,600 of income
Reduction in operational estate footprint	Green	Baseline figures captured, no reduction yet
Increase in desk to FTE ratio	Green	% of the office portfolio working 7 to 10 ratio – baseline to be established
Number of teams supported in a co-located environment.	Green	Captured as pipeline projects come through
No of properties closed/exited	Green	1 Property has been exited by the Office Estate.

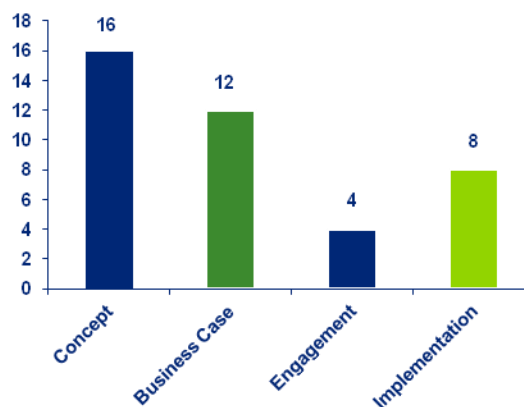
Information Required / Dependencies

1. New localities model currently being articulated, showing which teams, including partner agencies, should be located together.
2. Post headcount reduction picture being captured; outstanding information from areas under service review awaited.
3. Dependant on resources being employed to plan and run the office reorganisation in line with the Locality Operating Model.

Key Planned Activities

1. Finalise design for 249 High Street to allow for 329 High Street and Lothian Chambers to relocate in 2017.
2. Develop detail for relocation of first phase shared services opportunities.
3. Finalise office reorganisation strategy to allow detailed layouts to be developed.
4. Continue stakeholder consultation and community engagement at Wester Hailes

Project Status Tracking



Key Risks

Risk	RAG
01 Risk of failing to secure stakeholder / political support for Estates Rationalisation proposals	Red
02 Risk of Service Areas not buying in to proposals	Yellow
03 Delay to locality plans and no clear demand strategies from other parts of the Council	Yellow



KPI Tracking

KPI	RAG	COMMENTS
Reduce number of concessionary lets to increase revenue by £450k by year 5.	Red	This requires considerable resource to put in place formal leases and political support in the case of third party organisations.
Review of property voids on quarterly basis to benchmark against Investment Property Databank (IPD) level of 7% based on total income.	Red	The majority of current voids are shown as development land or social assets with limited or no income prospects. Current true voids sit at less than 2%.
Benchmark income growth and maximisation against IPD levels quarterly which will provide a view on performance of the Investment Portfolio relative to the market. A comparison should be made quarterly, annually, 3 yearly and 5 yearly.	Yellow	This depends on a software system producing a standard reporting format on these KPI's Requirement to identify the current level of return to set base. This also depends on an Estates software module (CAFM) that can report on this KPI and interface with Finance to monitor rent and service charge arrears going forward.
To provide the Council with a quality secure income with a target of 2% pa growth rate.	Yellow	Identify targets and business case to retain, develop or dispose of assets to have a well balanced conservatively managed investment portfolio.

Information Required/Dependencies

1. Accurate information on concessionary lets and information on grant funding or demonstration of evidence for concessionary let. Identify the difference in concessionary rents and ERV's to highlight the financial implications.
2. Identify potential for maintaining strong void position and budget implications.
3. Information on Estimated rental values.
4. Identify resources to undertake feasibility studies.

Key Risks

Risk	RAG
01 Lack of political engagement, resources ,support and approval on concessionary rents and rental increases.	Red
02 There is a risk that the outcomes from the wider Transformation Programme work streams could have a significant impact on Corporate Property initiatives such as the Investment Portfolio.	Yellow
03 Negative feedback from third party organisations and other Council services relating to communications over concessionary rents.	Yellow
04 Negative effect on investment market caused by uncertainty over Scotland's political future/EU Referendum.	Yellow

Key Planned Activities

1. Develop Concessionary Let Strategy report for approval by Finance & Resources Committee.
2. Agree land values for site/rental portfolio transfer to/from HRA.
3. Develop investment portfolio strategy.
4. Feasibility studies to maximise income/return from key assets.
5. Obtain committee approval for optimal disposal strategy for Lothian Chambers/ 329 High Street.



KPI Tracking

Progress Against Core Objectives





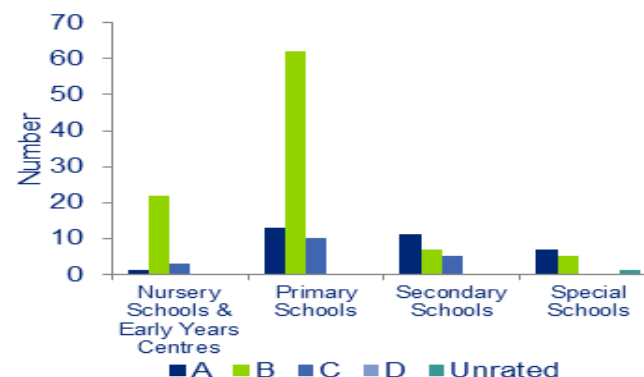
	Survey programme for FY16/17 forecast to achieve 20% total assets (not incl PPP and monuments). High level surveys on plan to achieve 30% total assets. Extrapolated condition ratings from historic data on the C&F estate shown in fig 1.0 opposite.
	CAFM system now mobilised and ready to receive data. Remote device hardware has been procured, enrolled and deployed to the survey teams. Pre survey information to be migrated across from legacy CEC systems. Standard reporting templates to be implemented.
	The delivery models for Hard FM, Capital Works Delivery and M&E are under review. New processes have been identified and will be developed as part of the asset condition work stream activities.
	Ongoing investigations into PPP estate following the collapse of a gable wall at Oxfangs primary school. Intrusive surveys to be commissioned. Once commercial aspects of the survey programme tender returns have been reviewed, additional scope items (such as measured surveys) may be instructed into the contract.

FIG 1.0 – Existing Condition Ratings
Children and Families Estate



Key Planned Activities

1. Continued mobilisation of Faithfull and Gould as appointed provider of surveying services
2. Complete Pilot surveys and feedback lessons learned
3. Complete schedule of rates review and upload to CAFM system
4. Agree potential scope variations to survey specification – Accessibility, Fire Prevention, Boundary Walls, Measured Surveys
5. Complete comms processes to building users ahead of main survey programme

Info Required/ Dependencies

1. Access and co-operation from building users
2. Decision on potential scope variations
3. CAFM system readiness

Key Risks

Risk No		RAG
01	Budget constraints restricts ability to reduce backlog	■
02	Health and Safety risks in relation to asset condition	■
03	Service disruption in relation to asset condition	■
04	CAFM functionality does not meet expectations	■



KPI Tracking

KPI	RAG	COMMENTS
No. FTE's delivering corporate property services	■	Phase 3a org review complete. Remaining FTE reductions will be from FM 3b review.
Budget consolidation from service areas	■	Budget transfers nearing completion – monitoring underway
Progress of Departmental FTE's transferring into Corporate Property.	■	First stage transfers complete 31/12/15. Scope of transfers from H&SC established but no transfer to happen.
Number of people in post in new structure	■	Phase 3a Stage of Org Review complete as of w/c 27/02, recruitment required.

Information Required / Dependencies

1. Executive and senior management support in leading the change and helping to secure the buy in to change;
2. Demand strategies from localities and service areas;
3. CAFM project roll out including CGI and data cleansing of historic data sets to provide a single source of baseline information;
4. Management team delivery of inputs for formal consultations

Key Planned Activities

1. Complete Phase 3a review by finishing formal matching and assignment process and launching service on 28/02/17.
2. Complete high level Communications Strategy.
3. Development of detailed plan for Phase 3b Organisational review and documents to launch consultation.
4. Prepare the level of detail required to articulate the level of change to each member of staff.
5. Develop the operational detail to allow for the launch of Phase 3b following the close of Phase 3a.
6. Continue delivery against CAFM project and aligning resource plans and timescales for delivery.

Key Risks

Risk No		RAG
01	Inadequately skilled CEC management resource and early exit of PMO leads to failure to deliver culture change and operational changes needed to deliver savings	■
02	Gaps in structure following internal recruitment result in a detriment to service provision	■
03	Lack of interim budget management arrangements of budgets transferring into Corporate Property leads to significant overspend	■
04	Risk of increased absence and attrition due to change in management (and remote management) and job insecurity impacting on service delivery skills loss.	■



KPI Tracking

KPI	RAG	COMMENTS
New SLA's developed	■	New SLA's agreed in principle. Further stakeholder engagement with Cross Council Working in Feb 2017.
Optimised organisation structure and service delivery models	■	Arcadis qualifications and assumptions to be reviewed before agreeing final workforce sizing
Budget vs chargeable costs determined	■	Mechanism for recharging to be developed. Charging for Edinburgh Leisure to be agreed

Key Planned Activities

1. Develop template and collate current state data for the FM workforce through the Area FM's before the launch of Phase 3b consultation in March 2017.
2. Validate analysis and complete cluster model including staff allocation to each.
3. Develop Operational plans for each area, starting with the Management plan.
4. Plan hard services delivery model procurement once data gathering is complete.
5. Ongoing CAFM design and implementation to launch service with hand held devices.

Information Required / Dependencies

1. Final building/budget data validation
2. Feedback from key stakeholders on outline service delivery proposals
3. CAFM system transition
4. Current state mapping developed to map change on an individual level

Key Risks

Risk	RAG
01 New service delivery plans are rejected by the key stakeholders	■
02 Data errors impact accuracy of workforce sizing calculations	■
03 Delayed implementation of CAFM/helpdesk systems and migration of data impacts service transition	■
06 Changes to FM service SLAs lead to industrial unrest or action in service areas, due to disagreement over changes.	■