

Finance and Resources Committee

10.00am, Tuesday, 5 September 2017

Asset Management Strategy Transformation Programme - Update

Item number	7.19
Report number	
Executive/routine	Routine
Wards	City-wide

Executive summary

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

Asset Management Strategy Transformation Programme - Update

1. Recommendations

- 1.1 That 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 Asset Management Strategy (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. It will deliver a fit-for-purpose, right-sized and safe estate; providing an appropriate level of service at an acceptable and efficient cost; and in a commercial manner to maximise value for the Council.
- 2.3 When the Finance and Resources Committee considered the AMS on 24 September 2015, it approved the adoption of an in-house delivery model, which included a significant investment in technical support over the next few years.
- 2.4 The Committee requested that an update report be provided every two cycles and this paper presents an overview of the status of the programme to date and the work completed since the last reporting period.

3. Main report

- 3.1 Progress has been made across the AMS work streams since this was last presented to the Committee. A summary of progress is provided below and the Management Information dashboards containing further information and key performance indicators (KPIs) are provided in Appendix 1.

Transition and Facilities Management (FM)

- 3.2 Matching and assignment for management staff in janitorial, cleaning and catering management, security, commercial management and performance and audit is now complete. Most of the management posts, which were the subject of external recruitment, have now been filled and the appointed people have or are in the process of joining the organisation.
- 3.3 A decision was taken earlier this year to split the final stage of the FM review into two tranches. The complexity and scale of the review has required in depth analysis and it was considered prudent to ensure this was completed, on a building by building basis, before consulting with staff groups.
- 3.4 The first stage included all remaining janitorial staff and consultation with staff was launched on 16 and 17 May. The final stage, which is a review of all remaining cleaning staff, is due to commence in September 2017. It should be noted that a review of catering staff was not required to be included at the first stage, due to increasing demands for the service within schools and the new statutory obligations to increase provision of early year's establishments.
- 3.5 FM processes continue to be developed alongside the refinement of the future organisational structure to document and improve ways of working, including an end to end re-design of the helpdesk service within Customer to improve efficiency and effectiveness.
- 3.6 A FM mobilisation team has now been formed with a target date for implementation of the new FM model in December 2017. While this is slightly later than anticipated, it is still in line with the programme agreed with Committee at the end of 2015.

Estates Rationalisation

- 3.7 Work on the service delivery needs of the locality teams and, in particular, the requirements of the Integrated Joint Board (IJB), has not progressed as quickly as anticipated, as the services have not yet been in a position to articulate their needs, which is having an impact on the rationalisation workstream. Understanding the future estate needs of each locality is important in reorganising the office and service delivery portfolio. The team is continuing to work with the localities and formal working groups are being established to develop detailed plans.
- 3.8 Engagement with partners regarding shared use of space within Waverley Court has been successful and heads of terms have been agreed with CGI to occupy 175 desks in the building. This will make a significant contribution to the estates rationalisation savings target. Focus is now on ensuring that physical and information security can be achieved effectively, and co-located models elsewhere in Scotland are being drawn upon for solutions to this issue. Creating space in our buildings for release is dependent on the reorganisation of space within Waverley Court to bring remodelled teams together and reinstate the 7:10 desk to staff ratio. Moves throughout Waverley Court are programmed to take

place between September and December 2017. Other partner discussions are on-going regarding sharing space.

- 3.9 A further element 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. Work has commenced to upgrade 249 High Street to receive relocated services, with moves expected to be completed in November 2017, fully releasing the former locations.

Investment Portfolio

- 3.10 The disposal, by way of long lease, of 329 High Street and Lothian Chambers is progressing following Committee approval in March 2017. It is proposed that the French Consulate will sign the lease of Lothian Chambers in Autumn 2017. 329 High Street is dependent on planning permission being achieved.
- 3.11 Work is continuing with financial savings opportunities previously identified, which are recorded in the savings tracker for the workstream. Future major events in the portfolio, such as lease expiry dates for major income producing assets continue to be actively managed to protect against any short-term loss of income while the future of such assets is determined.
- 3.12 The movement of concessionary letting agreements to market rents has commenced, with an increased number to be considered before the end of the financial year. Support from the Council and stakeholders will be crucial to the success of this workstream.
- 3.13 Business as usual continues to function with the portfolio rental income achieving an increase in excess of the 2% per annum target for the 2016/17 financial year. Similar performance above target is projected for the 2017/18 financial year.

Asset Condition

- 3.14 The asset condition survey programme is fully underway with a team of external surveyors supplementing the in-house survey team. To date, around 70% of the operational estate has been surveyed, identifying £89m of backlog maintenance in those properties. Data capture on the new CAFM system is successfully being undertaken, which will enable enhanced data interrogation and reporting capabilities for the future.
- 3.15 All activities and milestones are on programme to complete the survey exercise by October 2017, with a full report on the outcomes of the survey anticipated around the end of the year.

Next Steps

- 3.16 The following are the key activities planned in the next period:
- a. Continue the roll out of the next stage of transformation in relation to FM;
 - b. Continue the roll out of the CAFM system to ensure the system meets the requirements and functionality of the new service going forward;

- c. Continue to deliver the detailed engagement for each of the business cases approved by the Corporate Leadership Team in relation to estates rationalisation;
- d. Continue to define accommodation demand strategies at a high level, working closely with Locality Managers;
- e. Further development of the Investment Portfolio strategy including completion of the strategy and report on dealing with future voids; and
- f. Finalise 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 Service 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 KPIs 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 re-profiled AMS savings targets reported to the Finance and Resource Committee on 1 December 2016 and the AMS savings forecast through to 2020/21.

Asset Management Strategy Savings Tracker	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
SAVINGS TARGET PROFILE				
Service Redesign	0.700	1.900	1.900	1.900
Estates Rationalisation	0.600	2.000	2.200	2.200
Investment Estate	0.300	1.900	2.100	2.100
AMS SAVINGS TARGET	1.600	5.800	6.200	6.200
SAVINGS TARGET FORECAST				
Service Redesign	0.807	2.572	2.621	2.621
Estates Rationalisation	0.075	1.206	1.328	1.328
Investment Estate	1.098	1.512	1.962	2.439
AMS SAVINGS FORECAST	1.981	5.291	5.911	6.388
Surplus/(Shortfall)	0.381	(0.509)	(0.289)	0.188

- 5.3 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 managerial 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:
- 6.2.1 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;

- 6.2.2 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 has developed, in conjunction with Communities and Families and Business Support, a matrix of responsibility highlighting any gaps in the level of service being provided;
- 6.2.3 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;
- 6.2.4 There is a risk that a delay to the implementation of CAFM impacts on the delivery of the Blueprint and cost savings profile; and
- 6.2.5 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) [December 2016](#) and [February 2017](#) Finance and Resources Committee papers.

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11. Appendices






Appendix 1 – Management Information Dashboards

Transforming Property & Facilities Management

Programme Vision & Objectives

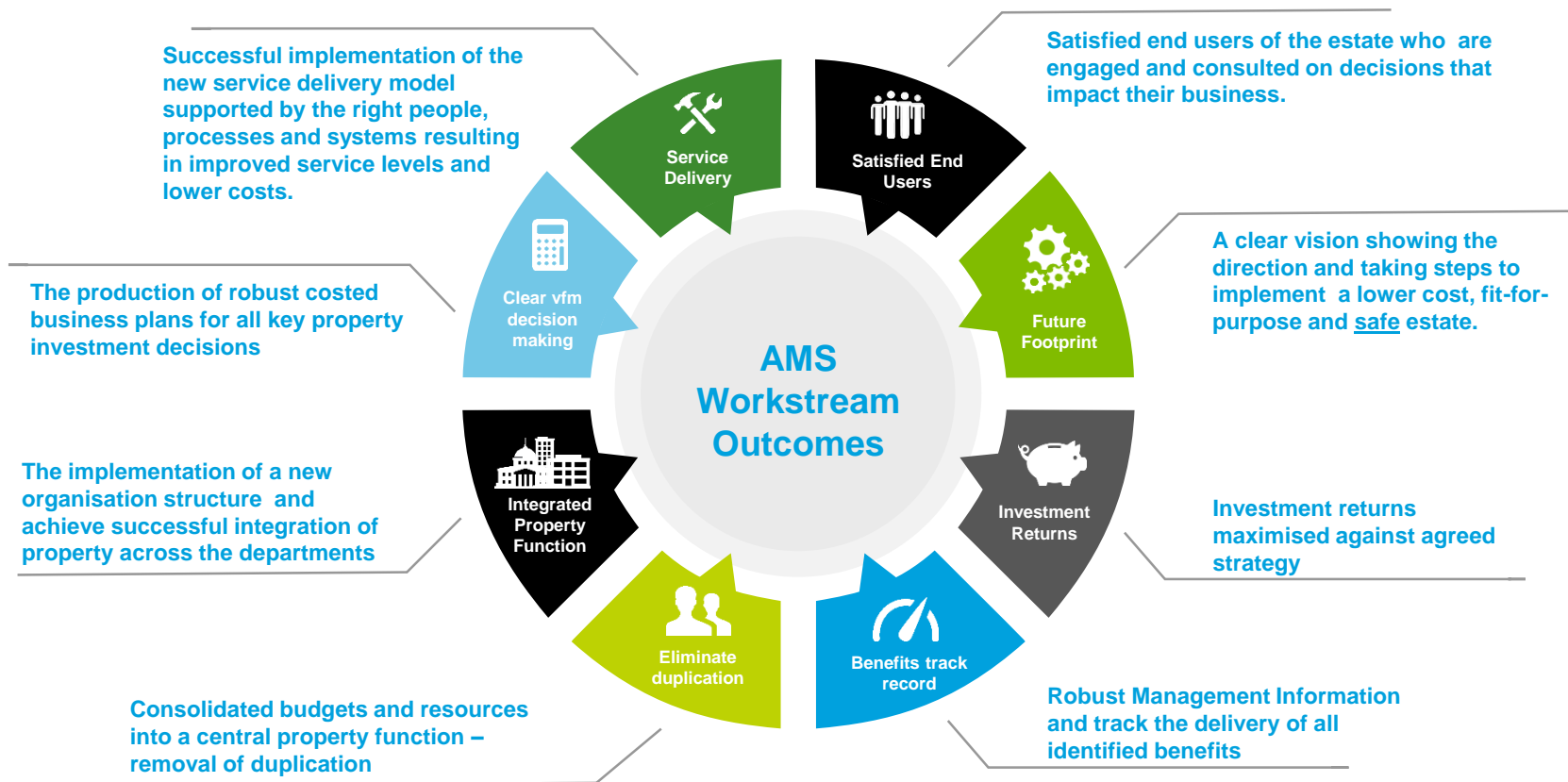


AMS has recognised that a step change is required to expedite progress in achieving required cost savings across the corporate property function, whilst delivering an appropriate level of service delivery. A programme vision and a number of initiatives and objectives were identified.

VISION	<ul style="list-style-type: none"> To create a credible, efficient and sustainable delivery organisation for the Council's property and property related services To provide a fit-for-purpose, right-sized and safe estate To provide an appropriate level of service at an acceptable and efficient cost To act in a commercial manner in pursuit of maximising value 				
PROGRAMME WORKSTREAM	 Investment Portfolio	 Estate Rationalisation	 Facilities Management	 Asset Condition	 Transition
OBJECTIVES	<ul style="list-style-type: none"> Set-up a project management office to manage and deliver the programme initiatives Deliver an effective suite of management information and performance indicators in relation to key functions Define and implement a new organisation structure to enable more efficient working and service delivery Maintain a quality of service delivery during the transitional period that results in satisfied end users of the estate Implement a technological solution to support service delivery 				
	<ul style="list-style-type: none"> Develop and implement a detailed portfolio and investment strategy; Investment returns maximised against agreed strategy; Review concessionary rents policy; Identify and progress current investment assets for disposal in next 2-3 years; Produce costed business plans for all key property investment decisions; Recycle disposal income; 	<ul style="list-style-type: none"> Downsize the estate, creating space efficiencies and minimising the number of buildings requiring future spend; Create savings in property running costs to apply against AMS Estate Rationalisation targets; Create opportunities for income generation to apply against AMS Estate Rationalisation targets Reinvest capital receipts into improving asset condition 	<ul style="list-style-type: none"> Develop a new efficient delivery structure. Develop a revised Service Level Agreement (SLA) for FM services; Implement improvements for the delivery of cleaning, catering, helpdesk services and asset maintenance; Improve learning and development opportunities for all staff; Improve flexibility around the provision of additional call-off services. 	<ul style="list-style-type: none"> Identify the extent of backlog maintenance and non-compliance across the estate. Develop a risk based assessment methodology for the prioritisation and planning of maintenance work. Complete all identified high priority work. Develop a best practice delivery model for the annual capital and revenue budget. 	<ul style="list-style-type: none"> Expedite the consolidation of property related budgets and re-profile the changes to the financial baseline. Transition Corporate Property to Corporate Operations Transfer related services and staff and FM teams in to Corporate Property. Transfer relevant property and associated budgets, from other departments into Corporate Property.

Transforming Property & Facilities Management

Success Criteria

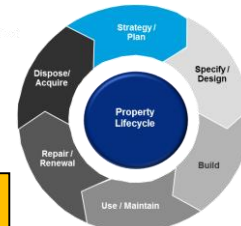


Transforming Property & Facilities Management

Programme Progress: August 2017 Update

Current Month
Trend

Previous Month
Trend



Monthly Executive Summary Status Report

An overview of the AMS Programme progress is provided in the body of the report, the status of the programme remains at Amber due to the complex stakeholder engagement which is required within each workstream of the programme to achieve the level of benefit identified. The savings profile shows the required target has been met for 2016/17 but the delivery of future years is highly dependant on a proactive stakeholder engagement and buy in.

Key Completed Activities This Month		Key Planned Activities This Month:	
1	The Janitorial service redesign consultation closed for staff feedback on Monday 19 th July. Stakeholders will now be engaged after the summer break on the proposed changes with consultation due to reopen in October 2017.	1	Work is underway to produce version 2 of the Janitorial service redesign from the feedback received to date, before the engagement period begins with Schools, Community centres, Libraries and Offices. Cleaning model is
2	Asset Condition surveys are now 70% complete with the full programme on track to be completed by September 2017.	2	Continue the roll out of the CAFM system to ensure the system meets the requirements and functionality of the new Property and Facilities Management service going forward.
3	Discussions continued between the Estates Rationalisation Team and CGI regarding the proposal for CGI to move into Waverley Court with Heads of Terms agreed. Work is now underway to understand the required Security arrangements for sharing of Waverley Court.	3	Office Restack of Waverley Court is now in the planning phases and is on track to commence in September 2017. This will allow for further discussions with other potential partners sharing space within Waverley Court.

Key Non-Green Risks, Issues for Escalation (if no escalation is required please advise that all open risks/issues are being managed and require no escalation)

Ref	Description	Open Mitigating Actions	Update on Mitigating Actions	Inherent RAG	Residual RAG
TPR 00040	Backlog Maintenance Capital There is a risk that lack of funding for maintenance of the Council estate will lead to a significant backlog of works/repairs. Savings made in Hard FM would need to be re-invested to meet Health & Safety requirements	3. Decision has been taken to outsource surveys across the entire estate this year to enable recent data to be gathered asap.	3. Current survey programme is 70% through with £89m backlog maintenance identified so far. Work will continue to complete surveys and then will be prioritised.	25	25
TPR 00208	Schools and Lifelong Learning Review Consequences As a result of the Lifelong Learning Review in C&F 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.	3. Develop, in conjunction with C&F and Business Support, a matrix of responsibility highlighting any gaps in the level of service being provided. 5. C&F and Place to communicate to FM who the accountable and responsible people are within each site so that reporting can be agreed.	3. The matrix has been developed but there are still gaps which require agreement between all three parties – meetings are underway. 5. Information outstanding from C&F and Place, meeting diarised to agree next steps.	25	20
TPR 00039	Stakeholder Support There is a risk of failing to secure stakeholder support for property transformation proposals resulting in a delay or failure to deliver the anticipated savings within the estates rationalisation and facilities management programmes.	1. Ensure the programme has support from Senior Sponsors, within the Council and utilise this support to achieve political buy in to the initiatives and recommendations. 2. Communications and Change Management Strategy to be developed and rolled out for both programmes.	1. New administration briefing sessions have taken place on the Facilities Management redesign within the groups. 2. Change Leads have been identified from each department for the Waverley Court restack and a Senior Stakeholder group has been set up for the FM redesign, to develop and agree further engagement.	25	20

Milestone Title/Description	July				August				September				Project Dependencies
FM - Close Janitorial Service redesign Consultation for consideration of feedback				◆									<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. IT Strategy for equipment (Desktops, Laptops and Tablets)
FM - Agree Cleaning model and allocated resource to each building								◆					
ER:- Begin the Waverley Court Office Restack and reopen 249 High Street												◆	

Transforming Property & Facilities Management



Measurement of Success KPIs: August 2017 Update



Investment Portfolio



- Capital receipts from disposals - **Lothian Chambers and 329 High Street on track**
- Value of re-investment projects - **(Long term)**
- Capital Growth - **(Long term)**
- Income maximisation; - **(Long term)**
- Increased income as a result of rent reviews and reduction of concessions (*% of properties at market rent*)



Estate Rationalisation



- Reduction in operational property costs - **Restack of Waverley Court commencing September 2017**
- Increase in income from operational assets – **CGI lease in progress for Waverley Court**
- Reduction in operational estate footprint - **Lothian Chambers and 329 High Street on track**
- Increase in desk to FTE ratio - **CLT decision to return to 7 to 10 desk ratio across the estate**
- Number of teams supported in a co-located environment - **Locality Office restack in development**
- No of properties closed/exited - **Lothian Chambers and 329 High Street on track.**



Facilities Management



- New SLA's developed - **In draft format for Sign Off with the Senior Stakeholder Group**
- Number of SLA breaches – **To be tracked from Jan to Mar 2018 for review**
- Headcount reduction - **Some colleagues have left on VR with new skill sets employed**
- Non-core FM services fully recharged to Primary Customers - **TBC on launch of model**
- Number of helpdesk calls / repeat calls for same issue - **(Long term)**
- Customer satisfaction ratings - **(Long term)**
- Formation of new Facilities Management OD structure - **Underway due to complete Dec 2017**



Asset Condition



- Milestone progress (tracking tasks and activities).- **Tracked each month with 70% of survives complete**
- Current maintenance spend to date vs. planned (planned vs actual) – **required £89m from 70% of surveys**
- Progress of condition survey programme - Full and high risk surveys - Benchmark of 20% P/A - **TBC**
- Number of Health & Safety related (reportable) incidents - **TBC**
- Estimated backlog maintenance - **required £89m from 70% of surveys**



WORKSTREAM CLOSED

Transition



- No. FTE's delivering PProperty and Facilities services - **COMPLETE (as per business case)**
- Budget consolidation from service areas - **COMPLETE (as of March 2017)**
- Progress of corporate property transfer to Corporate Operations [short term] - **COMPLETE**
- ESRS, EBS (non-housing) & PPP transfer into Corporate Property - **COMPLETE**
- Departmental FTE's transferring into Corporate Property - **COMPLETE**
- Formation of new **Property & Facilities Management** OD structure [long term] - **FM remaining**