

# Finance and Resources Committee

10.00am, Tuesday, 23 January 2018

## Asset Management Strategy Transformation Programme - Update

Item number	7.1
Report number	
Executive/routine	
Wards	City-wide
Council Commitments	

### Executive summary

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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

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- 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

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- 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

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- 3.1 Progress has been made across the AMS work streams since the last Committee update. 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 and 2.

## 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. All management posts, which were the subject of internal and external recruitment, have now been filled.
- 3.3 A decision was taken in May 2017 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 2017. In addition to the formal consultative process with staff and trade unions, wide ranging engagement has been undertaken with the Communities and Families Directorate, and other key stakeholders such as head teachers and community centre management committees. As previously reported, a review of catering staff was not required due to increasing demands for the service within schools and the new statutory obligations to increase provision for early year's establishments. Information on the catering service can be found in a report to the [Education, Children and Families Committee on 13 December 2017](#).
- 3.5 The Communities and Families Directorate were consulted on the new operating model throughout October and formal agreement was reached on core service provision to schools and nurseries throughout the City. This was then taken out for further consultation with staff and trade unions. Consultation closed in December and formal briefings on this element of the AMS has been offered to all political groups.
- 3.6 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.
- 3.7 Work has been ongoing to develop the Computer Aided Facilities Management (CAFM) system for the implementation of the new FM service. In the last month, significant progress has been made including providing iPad familiarisation sessions to new Facilities Management Technical Supervisors. November saw the completion of familiarisation training sessions on CAFM for both the new Helpdesk / FM CAFM Champions as well as the new proposed FM Technical Supervisors. Closer to go-live, refresher sessions will be run.
- 3.8 Work is ongoing with the Asbestos and Asset Valuations services to migrate those statutory functions away from legacy systems onto CAFM over the coming months.

- 3.9 A FM mobilisation team has now been formed with a target date for full implementation of the new operating model in Spring 2018.

### **Asset Condition**

- 3.10 The estate wide surveys concluded in September, and focus has now been on the analysis of the extensive data gathered. This element of the AMS is subject to a separate report to the Finance and Resources Committee in January 2018.

### **Estate Rationalisation**

- 3.11 The reconfiguration of 249 High Street is now complete, allowing additional staff to move into the building over December and January. This project has significantly improved the efficiency of space at 249 High street, almost doubling the occupancy levels and it has delivered a major improvement in the customer service and environment for people centred (rather than on-line) transactions, including for some of the Council's most vulnerable clients. Benefits include the introduction of the Council's new 'Q-matic' system to ease customer waiting times; the generation of significant capital receipts for investment in the remaining operational estate; savings in property running costs; and removes pressures from the backlog maintenance by reducing the size of the Council's estate.
- 3.12 The reconfiguration of staff in Waverley Court is also now complete, with dispersed teams now brought together, and space freed up to allow the occupancy of the third floor by CGI, the Council's ICT external supplier, at an annual rental rate of £600,000. The reconfiguration of space also creates a wing on the ground floor which can be released for rental to third parties to generate additional income against saving targets. This has been possible due to all teams working at a 7:10 desk to staff ratio. The focus is now turning to the localities offices, with the 7:10 ratio being rolled out across the estate. Minor adaptations for the customer front spaces are also currently being developed for greater flexibility in these offices.
- 3.13 As part of the development of business cases for new schools, including those required for the Local Development Plan, scoping is currently being undertaken to identify opportunities for other requirements to be delivered through the school hub. This is considering complementary services to the school and taking a 'One Public Estate' approach which could see some of the Council's partner agencies' asset requirements being co-located with the schools.

### **Investment Portfolio**

- 3.14 The disposal of Lothian Chambers to the French Consulate on a long lease was completed on 4 December. This resulted in a capital receipt, including legal fees and corporate property costs, of £2.95m.
- 3.15 The management of the commercial portfolio continues to perform ahead of expectation, and an increase in excess of the 2% target for the 2017/18 will be achieved. This is being realised through effective commercial management of the portfolio to ensure that letting voids are kept to a minimum. There has also been several strong rent review settlements contributing to rental growth.

- 3.16 On 28 May 2015, Council approved the business case for the construction of 16 industrial units at South Gyle. Known as East Hemiston Business Park, the development was delivered on time, and is now 100% fully let producing rental income of £160,000 pa. The leases have been approved under delegated powers and are referenced in the summary transactions concluded under delegated authority report on this agenda.
- 3.17 Work is continuing with financial savings opportunities previously identified, which are recorded in the savings tracker. 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.

### **Next Steps**

- 3.18 The following are the key activities planned in the next period:
- 3.18.1 Continue the roll out of the next stage of transformation in relation to FM;
  - 3.18.2 Continue the roll out of the CAFM system to ensure the system meets the requirements and functionality of the new service going forward;
  - 3.18.3 Continue to deliver the detailed engagement for each of the business cases approved by the Corporate Leadership Team in relation to estates rationalisation;
  - 3.18.4 Continue to define accommodation demand strategies at a high level, working closely with Locality Managers;
  - 3.18.5 Further development of the Investment Portfolio strategy including completion of the strategy and report on dealing with future voids; and
  - 3.18.6 Finalise work on the required asset condition surveys.

## **4. Measures of success**

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- 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:

- 4.3.1 direct cashable savings e.g. reduced operating costs from closure of a building and/or sustainable additional income;
  - 4.3.2 non-cashable efficiencies e.g. the reduction in required revenue maintenance spend as a result of building closures (which is then redeployed); and
  - 4.3.3 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

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- 5.1 The total budget for AMS implementation is £7.7m, of which £3.4m is allocated for external support. Other costs include the Estates Rationalisation (office restack), Condition Surveys, FM Training, equipment, vehicles and ICT (CAFM). CAFM is a key enabler of the overall Asset Management Strategy, with associated high risks associated with its non-delivery, and it is therefore proposed to utilise the provisions of CSO 9.1 to procure the existing Programme Manager from Sceneone for a further 6 months from January 2018 to July 2018 at an estimated £96,000. The implementation programme was previously anticipated to conclude by the end of December 2017, but is now forecast to conclude by summer 2018.
- 5.2 Since the report [Asset Management Strategy Transformation Programme – Update](#) - Finance and Resources Committee on 5 September 2017, the AMS savings tracker has been subject to ongoing monthly stress testing and update by the Asset Management Strategy Steering Group. 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. The table below provides the current forecast of savings. Forecast savings are categorised as:
- green – delivered/clear track to delivery;
  - amber – savings proposal developed, but further implementation planning required; and
  - red – shortfall against savings target. Further development of delivery of savings target required.

## Asset Management Strategy

### Savings Tracker - 07 December 2017

Asset Management Strategy	2017/18	2018/19	2019/20	2020/21
Savings Tracker	£m	£m	£m	£m
<b>SAVINGS TARGETS</b>				
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
<b>TOTAL SAVINGS TARGET</b>	<b>1.600</b>	<b>5.800</b>	<b>6.200</b>	<b>6.200</b>
<b>FORECAST SAVINGS</b>				
RED	0	2.574	2.237	1.892
AMBER	0	0.943	1.468	1.618
GREEN	1.603	2.283	2.495	2.690
<b>TOTAL</b>	<b>1.603</b>	<b>5.800</b>	<b>6.200</b>	<b>6.200</b>

- 5.3 Assumptions underpinning the original savings forecasts, include support by users of the Council estate for the new Facilities Management operating model; that any new buildings would have an appropriate revenue resource allocation; political and managerial support to deliver the estates rationalisation strategy (including the letting of areas of Waverley Court) and an ability to increase the majority of concessionary rents, between 2017/18 and 2020/21, to market rent.
- 5.4 Since the report [Asset Management Strategy Transformation Programme – Update](#) - Finance and Resources Committee on 5 September 2017 there has been ongoing review of the potential to achieve Estate Rationalisation savings, based on the current forecast of deliverability of the original savings targets and potential alternative savings. The analysis of forecast savings at paragraph 5.2 reflects the outcome of the ongoing review activity.
- 5.5 Ongoing review of the potential to achieve Investment Estate savings has concluded the forecast of savings and additional rental income for 2018/19 remains valid, but the forecast for 2019/20 has been reduced by 1% to reflect forecast economic conditions in the property rental market.
- 5.6 Recurring Service Redesign savings of £0.8m continue to be forecast from 2017/18. Service Redesign has been progressed for Facilities Management Organisational Review Phase 3b. Further full-year savings of £0.5m are forecast from remaining phases of Service Redesign from 2018/19.
- 5.7 Taking the revised forecast savings from each of the three Asset Management Strategy streams, savings of £2.3m in 2018/19, rising to £2.6m by 2020/21 are forecast to be delivered or fully on track to being delivered. A further £0.943m of

savings in 2018/19, rising to £1.6m by 2020/21 is on track to be delivered, but requires some further implementation planning. Property and Facilities Management is developing measures to achieve delivery of the remaining savings target of £2.574m in 2018/19, reducing to £1.892m by 2020/21.

## **6. Risk, policy, compliance and governance impact**

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### 6.1 The top delivery risks currently include:

- 6.1.1 There is a risk that the assumptions underpinning the original business case were not accurate. This is particularly acute in two areas. Firstly, the assumption that the new build estate would have a pro rata allocation of revenue budget with forecast pressure for 2018/19 is £3.5m pa and, secondly, that all concessionary lets could be reviewed to market rent over a five- year period. This has proven to be legally difficult to achieve as many of these leases are on long tenures that cannot be terminated unilaterally.
- 6.1.2 There is a risk that an economic downturn in the property rental market results in reduced income.
- 6.1.3. There is a risk that proposals for estate rationalisation are delayed and/or re-shaped through the processes of stakeholder engagement.
- 6.1.4 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 additional coverage required from FM will erode savings in the AMS programme unless additional budget is provided.
- 6.1.5 There is a risk that a delay to the implementation of CAFM impacts on the delivery of the Blueprint and cost savings profile; and
- 6.1.6 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.
- 6.1.7 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.
- 6.1.8 Contract Standing order 9.1 provides an option to waive standing orders where the requirement is in the Council best interest having regard for best value, risk, principles of procurement and the impact upon service users. The direct award of contract to Sceneone is required to provide continuity to the project and support additional tasks. The risk of procurement challenge is low given the short period of award and the existing understanding of the Supplier making it difficult for others to provide the delivery requirements in the timeline.



## 7. Equalities impact

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- 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.
  - 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

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- 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.
  - 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

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- 9.1 Communications have been established with the Trade Unions and regular meetings are held in relation to transformation. Engagement across the Council and with wider stakeholder groups has been, and continues to be, widespread in relation to the re-design of the FM function.

## 10. Background reading/external references

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- 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

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Appendix 1 – Asset Management Strategy Programme Dashboard

Appendix 2 – Asset Management Strategy KPI Dashboard

# Appendix 1

## Asset Management Strategy Programme Dashboard

Programme Progress: December 2017

Current Period  
Trend

Previous Period  
Trend



### Programme/Project Description including Summary for Period

The Asset Management Strategy (AMS) is an extensive transformational programme related to the review and refinement of the way in which the Council manages its corporate asset portfolio. It aims to deliver significant savings over a 5 year period.

It comprises of several workstreams:

Asset Condition                                      Estates Rationalisation  
Facilities Management Transformation      Investments

### Key Completed Activities This Period:

- Facilities Management Workstream** - Phase 2 of the janitorial review will complete in December. ICT, CAFM and Health & Safety training programmes have been developed and are ongoing.
- Asset Condition Workstream** - The survey of the full operational estate has now completed, identifying a minimum backlog maintenance requirement of £153m.
- Estates Rationalisation Workstream** - The exit of 329 High Street and Lothian Chambers is on programme.
- Investments Workstream** - The sale of Lothian Chambers on a long lease to the French consulate has been completed.

### Key Planned Activities Next Period:

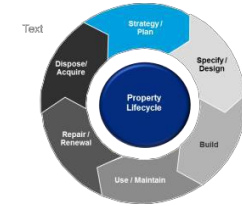
- Facilities Management Workstream** - Implementation of new Janitorial model. Cleaning Review to begin.
- Asset Condition Workstream** - Programme of works to tackle D elements to be commissioned.
- Estates Rationalisation Workstream** - Re-stack of Waverley Court ongoing. Restack to locality offices due Q1 2018.
- Investments Workstream** - . Exiting of 329 High St and 1a Parliament Sq on programme.

Project Workstream(s)	RAG	Reason for RAG Status (Time/Cost/Quality/Resource, etc)
Facilities Management Transformation	R	Go-live originally proposed for December has now been planned for Spring 2018 due to extended consultation phases. Savings targets will be re-profiled alongside a consideration of the approach the Service takes to the cleaning review.
Asset Condition	R	The survey of the full operational estate was completed in September, and the data has now been analysed at high level, identifying a £153m backlog maintenance requirement. This has now been discussed at CLT and political level and the need for additional investment identified. A programme of investment in the D rated elements of the estate is currently being commissioned.
Estate Rationalisation	A	The exit of 329 High Street and Lothian Chambers is on programme, with the upgrade of the City Chambers complex to receive additional staff nearing completion. A significant income stream is expected to be generated by CGI co-locating in Waverley Court, anticipated in April 2018. Other options for further estate rationalisation require engagement at political level.
Investments	A	Rental income growth forecast has been reduced for years 4 and 5 to 1.5% from 2.5% to reflect potential economic uncertainty. Improving political acceptance of concessionary lets policy however targets for years 3 onwards are still challenging. Sale of Lothian Chambers on long lease to French Consulate due to complete before the end of November. Elements to satisfy motion at F&R re 329 High Street to be in place by end of November.

### Programme Dependencies

- Continued resource and resource commitment to facilitate CAFM implementation
- Stakeholder support in relation to FM re-design.
- Stakeholder support in relation to estates rationalisation.
- Stakeholder commitment to capital and revenue costs associated with AMS delivery

# Appendix 2



## Measurement of Success KPIs: December 2017 Update

 <p><b>Investment Portfolio</b></p>	<ul style="list-style-type: none"> <li>Capital receipts from disposals - <b>Lothian Chambers and 329 High Street on track</b></li> <li>Value of re-investment projects - <b>(Long term)</b></li> <li>Capital Growth – <b>(Long term)</b></li> <li>Income maximisation; - <b>(Long term)</b></li> <li>Increased income as a result of rent reviews and reduction of concessions (<i>% of properties at market rent</i>) <b>(Long term)</b></li> </ul>
 <p><b>Estate Rationalisation</b></p>	<ul style="list-style-type: none"> <li>Reduction in operational property costs – <b>Restack of Waverley Court commencing September 2017</b></li> <li>Increase in income from operational assets – <b>CGI lease in progress for Waverley Court</b></li> <li>Reduction in operational estate footprint. - <b>Lothian Chambers and 329 High Street on track</b></li> <li>Increase in desk to FTE ratio – <b>CLT decision to return to 7 to 10 desk ratio across the estate</b></li> <li>Number of teams supported in a co-located environment. – <b>Locality Office restack in development</b></li> <li>No of properties closed/exited – <b>Lothian Chambers and 329 High Street on track.</b></li> </ul>
 <p><b>Facilities Management</b></p>	<ul style="list-style-type: none"> <li>New SLA's developed – <b>In draft format for Sign Off with the Senior Stakeholder Group</b></li> <li>Number of SLA breaches – <b>To be tracked from Mar 2018 for ongoing review</b></li> <li>Headcount reduction - <b>(Mid – Long term)</b></li> <li>Non-core FM services fully recharged to Primary Customers – <b>TBC on launch of model</b></li> <li>Number of helpdesk calls / repeat calls for same issue - <b>(Long term)</b></li> <li>Customer satisfaction ratings <b>(Long term)</b></li> <li>Formation of new Facilities Management OD Structure – <b>Management structure fully in place</b></li> </ul>
 <p><b>Asset Condition</b></p>	<ul style="list-style-type: none"> <li>Milestone progress (tracking tasks and activities). <b>Tracked each month with 70% of survives complete</b></li> <li>Current maintenance spend to date vs. planned (planned vs actual) – <b>total required min £153m.</b></li> <li>Progress of condition survey programme - Full and high risk surveys - <b>Benchmark of 20% P/A</b></li> <li>Number of Health &amp; Safety related (reportable) incidents. - <b>TBC</b></li> <li>Estimated backlog maintenance – <b>total required min £153m.</b></li> </ul>
<p><b>WORKSTREAM COMPLETE Transition</b></p>	<ul style="list-style-type: none"> <li>No. FTE's delivering Property and Facilities Management services - <b>COMPLETE (as per business case)</b></li> <li>Budget consolidation from service areas – <b>COMPLETE (as of March 2017)</b></li> <li>Progress of Property and Facilities Management transfer to Corporate Operations [short term] - <b>COMPLETE</b></li> <li>ESRS, EBS (non-housing) &amp; PPP transfer into Property and Facilities Management . - <b>COMPLETE</b></li> <li>Departmental FTE's transferring into Property and Facilities Management . - <b>COMPLETE</b></li> <li>Formation of new Property and Facilities Management OD structure – <b>New Management Structure in place</b></li> </ul>