

# Finance and Resources Committee

10.00am, Tuesday, 12 June 2018

## Asset Management Strategy Transformation Programme - Update

Item number	7.3
Report number	
Executive/routine	
Wards	
Council Commitments	

### Executive summary

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The Asset Management Strategy (AMS) is a significant programme within the wider Council Change Portfolio, aimed at achieving more effective and efficient use of the Council's asset base and associated service provision.

The AMS programme aims to create a credible, focused and sustainable delivery plan for Property and Facilities Management in the broadest sense. It aims to deliver a fit-for-purpose, optimised, effectively utilised and safe estate; providing appropriate levels of service at an acceptable and efficient cost; and, in a commercial manner, which seeks to maximise value and return for the Council.

This paper presents an overview of the status of the programme to date and the work completed since the last reporting period.

## Asset Management Strategy Transformation Programme - Update

### 1. Recommendations

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- 1.1 That the Committee:
  - 1.1.1 Notes the continued progress in each of the key AMS Transformation Programme work streams;
  - 1.1.2 Notes that the AMS will undergo a mid-point review resulting in a re-profiling of how the approved savings will be delivered and approves the proposal to refresh the Council's Asset Management Strategy to reflect updated assumptions and the further and better information and intelligence gained since this was originally adopted in 2015
  - 1.1.3 Notes the management information dashboard reports at Appendix 1;
  - 1.1.4 Notes the Measurement of Success KPI's at Appendix 2; and
  - 1.1.5 Notes the result of the recent Planned Preventative Maintenance spend in Appendix 3.

### 2. Background

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- 2.1 The Asset Management Strategy (AMS) is a significant programme within the wider Council Change Portfolio, aimed at achieving more effective and efficient use of the Council's asset base and associated service provision.
- 2.2 The AMS programme aims to create a credible, focused and sustainable delivery plan for Property and Facilities Management in the broadest sense. It aims to deliver a fit-for-purpose, optimised, effectively utilised and safe estate; providing appropriate levels of service at an acceptable and efficient cost; and, in a commercial manner, which seeks to maximise value and return 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. At that time, the Committee requested that a status update be provided every two cycles. 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 majority of AMS workstreams 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 Appendices 1 and 2.

#### **Computer Aided Facilities Management (CAFM)**

- 3.2 Fundamental to the overall success of the AMS programme is the implementation of the centralised asset management system known as CAFM. This is an area of joint activity between the Service and ICT which, to date, has been implemented successfully.

- 3.3 Delivering a CAFM solution involves improvements to all teams within the Property and Facilities Management Service (Strategic Asset Management, Investments, Soft FM, Hard FM and Capital Programmes). These teams were previously independently managed and held relevant data often on systems that were dated and not fit for current or future requirements. Whilst this has meant a long process of cleansing and the integration of disparate datasets, it has been a necessary improvement activity.

- 3.4 The outputs of this work so far have been as follows:

- For the first time there is now a single 'source of truth' for accurate core Property and Facilities Management data.
- The Condition Surveys undertaken in 2016/17 were undertaken electronically, using tablet devices onsite to collect the data in real time within the CAFM system.
- The Management Information data from the Condition Surveys was produced from CAFM and was used to directly inform the Council on the scale of the repairs and maintenance backlog that it faced. CAFM is the system which now holds the details of, and progress updates, on the £153m backlog maintenance programme of works.
- In April 2018, Edinburgh Scientific Services within the Place Directorate moved from a largely paper based process to CAFM for the Council's Asbestos Surveys. As the estate is resurveyed over the course of routine Management Surveys, CAFM will become the single source for the Council's Asbestos Register, replacing a 40 year old legacy mainframe system.

- 3.5 There are a number of ongoing workstreams being progressed in respect of the full deployment of CAFM as follows:

- Hard FM Helpdesk and Contractor Works Ordering is due for completion in May 2018.
- Soft FM Helpdesk and Mobile Working is due for completion in August 2018.
- Annual statutory Asset Valuations is due for completion in 2018/19.
- Estates and Investments Migration is due for completion in 2018/19.
- Capital Projects / Programmes is due for completion in 2018/19.

## Facilities Management (FM)

- 3.6 The matching and assignment for management staff in janitorial, cleaning, catering management, security, commercial management and performance and audit is complete. All management posts, which were the subject of internal and external recruitment, have now been filled.
- 3.7 The remainder of the FM team contains some 1,800 staff, around 10% of the total Council workforce. The Phase 1 review of this area has brought a range of operational, service user and political issues and sensitivities to bear necessitating a wide ranging and in-depth consultative process.
- 3.8 The final stage of the FM review was split 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.
- 3.9 The first stage included all of the remaining janitorial staff within a consultation process which was launched in May 2017. In addition to the formal consultative process with staff and trade unions, wide ranging engagement was 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 the 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. Further Information on the catering service can be found in a report to the [Education, Children and Families Committee on 13 December 2017](#).
- 3.10 The Communities and Families Directorate were specifically consulted on the new operating model for the 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 2017 and formal briefings on this element of the AMS were offered to all political groups, and took place, in January and February 2018.
- 3.11 Formal agreement on the final model to be implemented was reached in March 2018, and the model presented to the trade unions shortly thereafter. Both UNISON and UNITE the Union have recommended to their members that they accept the new service model and this was formally consulted on within the respective trade union memberships.
- 3.12 Presentation of the final model to all staff took place throughout April 2018, followed with a programme of 1:1 meetings, which will determine allocations of staff and time to Council buildings. At time of writing, most janitors will be matched into their existing place of work.
- 3.13 The new model will be formally implemented and deployed at the start of the new school year, following the summer break, and a full mobilisation project has commenced to enable this to occur. 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 Services and IT to further improve efficiency.

- 3.14 The second phase of the FM review involves consideration of the Council's cleaning services. There are currently over 1,000 cleaning staff engaged by the Council on a range of contracts, both as direct employees and sourced through employment agencies. The review of this function in the first instance will focus on the role of cleaning supervisors and will begin in August 2018.
- 3.15 The original savings profile presented to the Finance and Resources Committee in November 2015, arising from the FM review, was predicated upon a business plan that assumed a three day week clean across the whole of the operational estate. Should this underlying assumption be altered through consultation, then the associated savings profile will also need to be altered. Committee is also reminded that the unbudgeted new builds, from a recurrent revenue perspective, between November 2015 and August 2018 will have a negative impact upon the assumed cleaning savings profile as well.

### **Asset Condition**

- 3.16 The results from the estate wide condition surveys which concluded in September 2017 provides the Council with improved quality management information for estate planning. The survey outputs were delivered as a series of briefings for elected members through which an accurate picture on the condition of the estate could be presented.
- 3.17 The management information was critical in securing the support from Council for an additional £50m to create a £120m capital programme of asset upgrade over the next 5 years, allowing a rational, comprehensive programme of asset upgrade to be delivered, rather than the previous focus on health and safety and wind and watertight matters only. This approach will also fundamentally shift the Council from a reactive repairs and maintenance focus to a planned preventative regime by addressing the underlying backlog which has accumulated for many years.
- 3.18 Property and Facilities Management has now commissioned year 1 of the 5 year upgrade programme for delivery in 2018/19, focusing on those buildings in the most need of upgrade. The service continues to mobilise to deliver the increased spend and further reports will provide an update on progress on both capital asset management works and planned preventative maintenance.
- 3.19 Additional funding for planned preventive maintenance of £8.5m was made available for the 2018/19 financial year. The sum made available in 2017/18 enabled a programme of works that targeted the Council's most vulnerable clients across special schools, YPC residential units, care homes for the elderly and language classes within schools. The aim was to refurbish and make the environment as safe and calm as possible through the use of colour, safe spaces, better use of materials (acoustic flooring as noise can be very distressing for people with autism or dementia but also hygiene surfacing because of incontinence or infection), use of fixed storage to remove items that could be thrown, additional security such as viewing panels, internal gates, alarms, lighting. Safety items were also enhanced given the vulnerability of all users.
- 3.20 An example of before and after photographs are attached as Appendix 3 to this report to give the Committee a stronger sense of the progress that has been

achieved. The Corporate Health and Safety Team has further advised that an initial review of Violence and Aggression statistics in Quarter 1 2018 shows that:

- 63 incidents were reported in Special Schools compared with 178 in Quarter 1 2017 (65% decrease).
- 86 incidents reported in Primary Schools compared with 144 in Quarter 1 2017 (40% decrease).

### **Estate Rationalisation**

3.21 Having completed recent building exits, early work is being undertaken on shared use of assets with our partner agencies both Council and non-Council. This includes the work under the auspices of the Land Commission of the Edinburgh Partnership, chaired by the Council's Chief Executive.

3.22 Key deliverables achieved from an estate rationalisation perspective over the previous financial year were:

- Planning and delivering the exit of Lothian Chambers and 329 High Street to achieve running cost savings and significant capital receipts.
- The completion of Lothian Chambers to the French Consulate for £2.95m.
- The progression of the long-term lease of 329 High Street for £3.15m.
- Redesigned the Customer Hub and associated services at 249 High Street to receive services from exited buildings, while improving the citizen and staff experience.
- Provision of a new marriage service suite with the City Chambers.
- Remodelling of Waverley Court to free up surplus space for future income generation streams by leasing space, while also supporting the co-location of services and teams following the Council's Transformation Programme and associated organisational reviews.
- Exiting 1A Parliament Square, 4 years before the end of the lease, to deliver running and lease cost savings.
- Remodelling the 4 locality offices, relocating staff from corporate premises to localities to reflect their new work locations and focus, whilst bringing together locality teams to enable better joint working, in particular the Health and Social Care Partnership hub and cluster model.
- Closure of Powderhall depot, which will be demolished in the near future and the site developed for Council housing.

### **Investment Portfolio**

3.23 The management of the commercial portfolio continues to perform ahead of expectation, and an increase in excess of the 2% target for 2017/18 was achieved. This was realised through effective commercial management of the portfolio to ensure that letting voids are kept to a minimum. There have also been several strong rent review settlements contributing to rental growth.

3.24 Following the success of East Hermiston Business Park, similar opportunities to enhance the quality of the Council's investment portfolio are being considered.

3.25 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.

### **Mid-Point Review**

- 3.26 The original AMS business case identified significant financial and non-financial benefits associated with asset management and the Property and Facilities Management Service which were in line with the wider objectives of the Council's Transformation Programme, at that time. The successful implementation of phase 1, 2 and 3a organisational structure reviews generated recurring savings year on year of circa £700k.
- 3.27 Although the 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 need to be carefully monitored. This includes, for example, capital requirements as part of any implementation costs and capital receipts from any proposed disposal initiatives.
- 3.28 The AMS programme to date has delivered significant benefit to the Council specifically in the areas of estate surveys and subsequent approval of a repair programme; delivery of FM review stages 1 and 2; reconfiguration of Waverley Court; ongoing delivery of CAFM; the disposal of significant assets; the management of, and considerable uplift in rental income through the investment portfolio, the successful consolidation of property budgets centrally within Property and Facilities Management; an agreed new janitorial model with, for the first time, Service Level Agreements (SLAs) in place between service areas.
- 3.29 At the same time, it is clear that the programme has struggled with attempts to drive the speed of and achieve the level of savings proposed in the original strategy and underlying assumptions approved in 2015. This is directly as a result of some of the original business plan assumptions proving to be inaccurate. A review of these are as follows:

### **FM Transformation**

- 3.30 As previously advised, the original business plan assumed that the revenue costs associated with any new builds would be allocated as part of the business case for the asset. While this has now been addressed moving forward, following the decision of the Finance and Resources Committee on 27 March 2018, it still leaves a considerable gap for the period between September 2015 and August 2018. This was previously highlighted to Councillors through the provision of a detailed before and after revenue cost profile for the new Boroughmuir High School. A further example is provided on the Rising School Rolls – Phase 6 report on this agenda.
- 3.31 In summary, the impact of a lack of revenue investment in new builds has led to a significant dilution of proposed savings through pressures being applied to the FM model, compared to original assumptions and expectations. The original savings profile for the next phase of the FM review on cleaning services, will likely also be impacted, even without the original three day clean proposal being unlikely to receive universal support.

### **Estates Rationalisation**

- 3.32 The original assumptions around closing and disposing of property has proved not to be accurate. While there has been some success in corporate office rationalisation and the depots, around 80% of the operational estate remains untouched and, as noted, is growing in size with this trend currently forecast to continue.
- 3.33 The Corporate Landlord approach to the AMS strategy has its limitations as the transfer of property related budgets in to the corporate service in itself did not give the ability to make disposal/rationalisation decisions without agreement of the with client service.

### **Concessionary Lets**

- 3.34 The original business plan assumptions for the AMS relating to Concessionary Lets have not proven accurate, in that, the timing, legal, service provision, local and political issues and impacts were not adequately factored in to the financial outcomes expected to have been delivered. These decisions are much more nuanced than simple financial extrapolation would suggest and the original AMS business plan did not give sufficient regard to these factors.

### **Investment Estate Strategy**

- 3.35 While a significant amount of savings have been delivered in this area, they have not been achieved, in the main, from the approach outlined in the original business plan.
- 3.36 The business case recommended the implementation of a clear investment strategy to be applied to the existing portfolio which, if implemented, would have resulted in a smaller, more focused and better performing portfolio. This was predicated on the disposal of a number of assets, considered to be poor quality, with the proceeds being reinvested in a fewer number of superior quality assets showing a similar level of rental return. These assumptions did not stack up for the following reasons:
- Reducing the number of assets in the investment portfolio immediately creates a budget pressure due to the loss of the rental income which, in turn, significantly increases the impact of rental voids on the overall portfolio performance, i.e., the model did not reflect how the Council manages its revenue budget whereby rental income is assumed to have been achieved when the budget is set for the following financial year.
  - The cost of acquiring investment assets at a lower yield to achieve the same rental income costs significantly more than the market value of the assets being sold, e.g., selling £100k of rental income at a 10% yield equates to a selling price of £1m; acquiring £100k of rental income on a 5% yield costs £2m.
  - The assumption that investment assets of the type required, could be readily acquired on the open market without competition lacked sufficient contextual and market awareness.



3.37 The combined challenge of these assumption and the inability to deliver projected savings will require a full and formal re-evaluation of the AMS, led by Council Officers. Such re-evaluation will require more robust assumptions that address the reality of such issues and are not simply driven by a 'desktop' approach. For example:

- Far from the stated aim of the AMS of the estate footprint shrinking, the footprint has in fact been growing significantly. Forward projections do see Edinburgh as an expanding city and economic growth does bring with it a rising demographic. National Government policy, such as the expansion of early years places, has also added both to this estate growth agenda and the need for supporting services to sustain it.
- Linked to the above, old school buildings, reaching the end of their lifespan, are replaced with schools containing modern technology, and environmental conditions designed to improving learning environments such as the reduction of CO2 levels. These new buildings offer a far better learning environment, but are also more expensive to run. The assumption that new buildings are cheaper to run is a misnomer, due to the higher running costs more sophisticated buildings, and the inevitable increase in non-domestic rates, given that older building valuations are discounted to reflect obsolescence, while the new buildings are not. While the AMS assumed savings could be made from maintenance costs, there was already insufficient funding targeted at maintenance which has manifested itself in a huge backlog maintenance issue, i.e., even if efficiencies are created in this area, the budget cannot be cut to create a tangible saving due to the need elsewhere.
- There is a clear investment strategy in place which is consistently producing above average returns for the investment portfolio. However, this will be reviewed in the context of driving out further rental income. There are opportunities but they come with risks, for example, there is a huge financial opportunity with digital advertising but this has significant planning risk. Proposals for new stock such as the 16 industrial units at Sighthill Industrial estate on a spend to save basis will also be scoped.
- Progress is being made on the move of away from concessionary rents to market based levels. There are a significant number of these to process and in some cases the proposed increases in rental levels result in significant community and political engagement. The concessionary lets approach needs to be reconsidered in the context of the existing leases to establish what is achievable in this area.
- The rationalisation of assets in the office and depots portfolio has been successful however to meet the existing and future savings targets a more radical approach is required to the remainder of the estate. This will focus on taking between 15-20% of the cost out of total property costs.

- Further organisational re-shaping within the Property and Facilities Management Service may be required involving proposals for efficiencies within the Investment, Estates and FM delivery areas, including targeted VERA opportunities.

3.38 The Committee will be updated and consulted on any new initiatives as part of the future update reports, which will also track progress on the refresh of the AMS.

## 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 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

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- 5.1 Since the report [Asset Management Strategy Transformation Programme – Update](#) to the 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 additional savings required for F/Y 2018/19 have been added to the forecast to give the overall picture with the tables 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 – 27 April 2018

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>

### Additional 2018/19 Savings

Savings Tracker	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
<b>SAVINGS TARGETS</b>				
Service Redesign	0.000	0.532	0.532	0.532

Estates Rationalisation	0.000	0.550	0.550	0.550
Investment Estate	0.000	0.250	0.250	0.250
<b>TOTAL SAVINGS TARGET</b>	<b>0.000</b>	<b>1.232</b>	<b>1.232</b>	<b>1.232</b>

#### FORECAST SAVINGS

RED	0	0.532	0.532	0.532
AMBER	0	0	0	0
GREEN	0	0.700	0.700	0.700
<b>TOTAL</b>	<b>1.603</b>	<b>1.232</b>	<b>1.232</b>	<b>1.232</b>

#### CONSOLIDATED FORECAST SAVINGS

RED	0	3.106	2.739	2.424
AMBER	0	0.943	1.468	1.618
GREEN	1.603	2.983	3.195	3.390
<b>TOTAL</b>	<b>1.603</b>	<b>7.032</b>	<b>7.432</b>	<b>7.432</b>

5.2 Taking the revised forecast savings from the consolidated forecast, savings of £2.98m in 2018/19, rising to £3.39m 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 also on track to be delivered, but requires further implementation planning, supported by Finance. Property and Facilities Management is developing measures to achieve delivery of the remaining savings target of £3.106m in 2018/19, reducing to £2.424m by 2020/21.

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

6.1 The following are the identified risks to the delivery of the AMS as currently defined:

- 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.
- There is a risk that an economic downturn in the property rental market results in reduced income.

- There is a risk that proposals for estate rationalisation are delayed and/or re-shaped through the processes of stakeholder engagement.
- 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.
- There is a risk that a delay to the implementation of CAFM impacts on the delivery of the Blueprint and cost savings profile.
- 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.
- 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.

## **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:
- 7.2 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
- 7.3 Projects exploring the feasibility of asset transfer to community groups could empower communities, particularly those in deprived communities.
- 7.4 Any impacts on employment conditions as a result of different service delivery models will be assessed further through the impact assessment process.
- 7.5 Any changes to concessionary lets to third sector and community groups, and consequent impacts, could be managed through the grants and contracts process.
- 7.6 Co-location opportunities, if delivered, could improve and simplify access to council and partner services, especially those individuals or families who require multiple services.
- 7.7 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:
- 8.2 Proposals to improve the coordination of asset management, and to drive

forward property rationalisation, should lead to improvements in physical accessibility at council premises.

- 8.3 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.
- 8.4 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.
- 8.5 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.
- 8.6 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](#), [February 2017](#), [January 2018](#) Finance and Resources Committee papers.

### **Stephen S. Moir**

Executive Director of Resources

Contact: Peter Watton, Head of Property and Facilities Management

E Mail: [peter.watton@edinburgh.gov.uk](mailto:peter.watton@edinburgh.gov.uk) Tel: 0131 529 5962

## 11. Appendices

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Appendix 1 – Asset Management Strategy Programme Dashboard

Appendix 2 – Asset Management Strategy KPI Dashboard

Appendix 3 - Update on Planned Preventative Maintenance Spend

# Appendix 1

## Asset Management Strategy Programme Dashboard



Programme Progress: April 2018

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:

### Key Planned Activities Next Period:

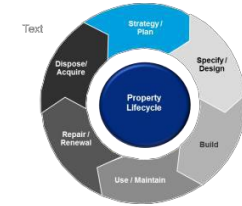
1	<b>Facilities Management Workstream</b> - Phase 2 of the janitorial review has completed. ICT, CAFM and Health & Safety training programmes have been developed and are ongoing.	1	<b>Facilities Management Workstream</b> - Implementation of new Janitorial model. Cleaning Review to begin August 2018.
2	<b>Asset Condition Workstream</b> – Council approved an additional £48m capital budget in February 2018.	2	<b>Asset Condition Workstream</b> - Programme of works to tackle D elements has been commissioned and year 1 programme established
3	<b>Estates Rationalisation Workstream</b> - The exit of 329 High Street and Lothian Chambers is complete.	3	<b>Estates Rationalisation Workstream</b> - Re-stack of Waverley Court ongoing. Restack to locality offices due Q1 2018.
4	<b>Investments Workstream</b> – Sale of Lothian Chambers complete	4	<b>Investments Workstream</b> - . 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 Summer 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 Council approved an additional £48 million capital budget in February 2018. A programme of investment in the D rated elements of the estate has been commissioned.
Estate Rationalisation	A	The exit of 329 High Street and Lothian Chambers is complete. A significant income stream is expected to be generated by CGI co-locating in Waverley Court, rental charges beginning 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.

### 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: April 2018 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 complete</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 complete</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 complete.</b></li> </ul>
 <p><b>Facilities Management</b></p>	<ul style="list-style-type: none"> <li>New SLA's developed – <b>Signed Off with the Senior Stakeholder Group</b></li> <li>Number of SLA breaches – <b>To be tracked from August 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>



### Appendix 3

Additional Planned Preventative Maintenance (PPM) funding in financial year 2017/18 was targeted at facilities hosting some of the Council's most vulnerable clients, namely

- Language classes in assisted support classrooms (14 over 6 schools) for children with additional needs, mostly on the autistic spectrum;
- Special Schools;
- YPC residential Units;
- Care Homes for the elderly;

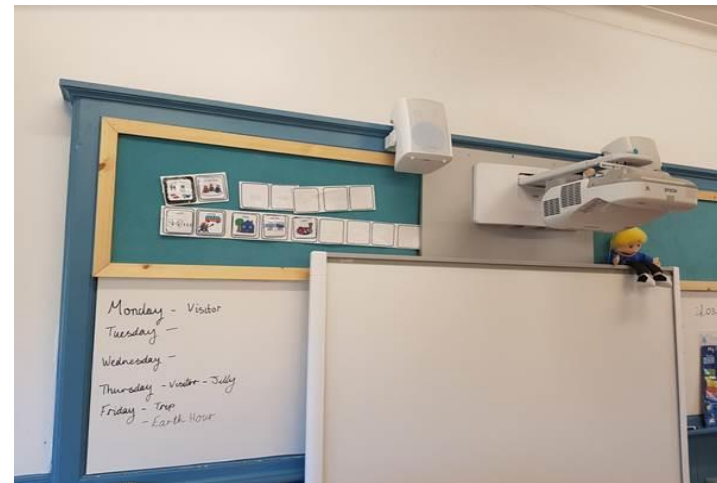
The aim was to refurbish and make the environments as safe and calm as possible through the use of colour, safe spaces, better use of materials such as acoustic flooring and hygiene surfacing, use of fixed storage to remove items that could be thrown, and additional security and safety items.

The approach taken to these works involved collaboration on-site between construction/design professionals and the various stakeholder groups. The feedback from client, both short and long term, will inform decisions on future works and refurbishments.

Craightinney Primary School, language classes before the refurbishment.



Craightinney language classes after the refurbishment: 2 x full Language class refurbishments & addition of sink, storage, focus screens & pin-boarding.



Murrayburn Primary School before refurbishment.



Murrayburn Primary School after refurbishment: 4 x full Language class refurbishments, storage, focus screens & pin-boarding and creation of safe space



Murrayburn Primary School – Playroom: Before refurbishment.



Murrayburn Primary School – Playroom: After refurbishment of playroom to create an inclusive play-space for all pupils.



St Cuthbert's Primary School: Before refurbishment.





St Cuthbert's Primary School after refurbishment: storage, focus screens & pin-boarding and strengthening of walls, & replacement lighting.



Cramond Primary School before refurbishment.



Cramond Primary School after refurbishment.



Teach

Learn

Grow . . .



Trinity Primary School before refurbishment:



Trinity Primary School after refurbishment:



## Trinity Primary School – P7 Agile Learning Spaces



Acoustic Pin-boards



Designed in Collaboration with the student and teacher's request for a sophisticated "Costa Coffee" style space, the variety of zones and furniture types suit the learning style, activity and active teaching methods currently adopted at Trinity. The new environment supports and enhances the vision being delivered by the school



Natural Timber Flooring & Limestone Effect Carpet



Quiet Space





Additional screen for digital display of work and collaboration between students through ability to cast iPad screen to larger display using Apple TV devices



" We want to have the option to work alone, collaboratively, in small and large groups with comfortable furniture and integrated technology"



"We want space to display our work clearly and to store our resources without creating a messy feel to the space to allow us to feel calm, proud and able to concentrate"

