

Finance and Resources Committee

10.00am, Thursday 23 May 2019

Asset Management Works Programme – 2018/19 Update

Executive/routine Wards Council Commitments	Executive All
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1. Recommendations

1.1 That Committee:

- 1.1.1 Notes the positive impact of the Asset Management Works (AMW) Programme on the Council's operational estate, by creating much improved environments for users, particularly primary schools;
- 1.1.2 Notes the expected improvement in asset condition of the operational assets and the benefit it brings to stakeholders;
- 1.1.3 Notes the full budget spend for 2018/19 with an outturn of 121% against budget;
- 1.1.4 Notes the improved risk profile for upgraded properties;
- 1.1.5 Notes the current financial position and overall status of the AMW Programme and the forecast position moving forward; and
- 1.1.6 Notes the main challenges and risks facing the AMW Programme in the future and the measures being taken to mitigate these risks.

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Asset Management Works Programme – 2018/19 Update

2. Executive Summary

- 2.1 In February 2018, a new five-year Asset Management Works (AMW) Programme to upgrade property condition was approved, running from 2018/19 to 2022/23. This was designed to, first stabilise, and then upgrade the condition of the Council's operational estate to a safe and satisfactory condition and to address the backlog of maintenance issues. This report provides an update on the improvements achieved through the first year of the AMW Programme and its positive impact on the condition of the Council's operational estate.

3. Background

- 3.1 The Council's operational estate has grown organically over the years and is diverse, with assets of different functions, age, design and condition. The AMW Programme has been running since 2012 to upgrade the condition of the Council's operational estate. The volume of buildings, coupled with a history of underinvestment in the Council's building estate has resulted in a complex portfolio of buildings with varying asset conditions. Historical budgets were only able to address priority issues. The situation was compounded by poor asset information covering both the older 'legacy' buildings and new buildings which meant that until recently there has been a lack of management information on the asset condition of the Council's operational buildings and the capital investment needed to bring them to a safe, dry, legal and operable condition.
- 3.2 To improve the Council's management information and forward planning capability, a comprehensive condition survey of the Council's entire operational estate was commissioned and completed in 2017. The outcome of this process was the approval of a total budget of £153m over five years to address the Council's operational buildings asset condition issues and to deliver a new planned preventative maintenance programme.
- 3.3 The AMW Programme was approved in February 2018 with a five-year budget totalling £118.9m to identify, plan, commission and deliver the capital Asset Management works. The financial impact of the programme is covered under section 6 of this report.

4. Main report

- 4.1 The AMW Programme has been developed to achieve two main objectives:
1. To stabilise asset condition and ensure safe, legal and dry assets and 'catch up' on the backlog of maintenance, improving the risk profile for the estate; and
 2. To upgrade and improve the asset condition rating and building user environment of the Council's operational estate.
- 4.2 The first year of the five-year AMW Programme is now complete. Even at this early stage of the programme there are examples of the programme having a positive impact on user environment and asset condition.

Prioritisation of Investment

- 4.3 One of the key measures of success of the AMW Programme, and the achievement of its intended objectives, is the impact on the Council's operational estate asset condition.
- 4.4 The Council uses 'Asset Condition Ratings' on a scale of A to D to assess the asset condition of the Council's operational assets. The ratings align with the Scottish Government's recommended asset condition classification that was devised for the schools estate. The definitions for each of the asset condition ratings are described in Figure 1.

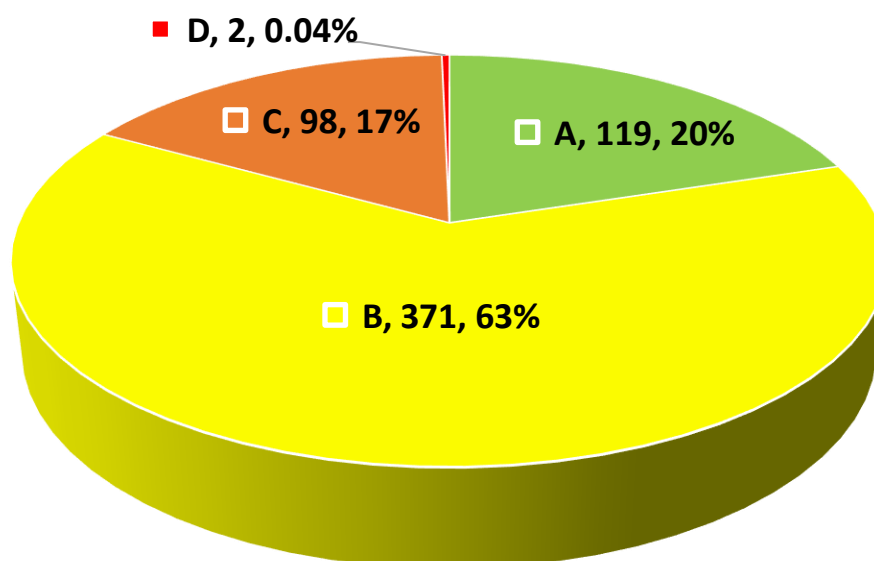
Figure 1- Asset Condition Ratings and Definitions used by the Council

Condition Rating and Percentage Scoring	Condition Definition
A (>85 – 100)	Good- performing well and operating efficiently
B (>60; ≤85)	Satisfactory- performing adequately but showing minor deterioration
C (≥40; ≤60)	Poor- showing major defects and/or not operating adequately
D (<40)	Bad- economic life expired and/or risk of failure

- 4.5 The asset condition ratings are used as part of risk-based approach for future capital planning and investment decision-making. Capital investments are targeted at those buildings/assets with the lowest asset condition ratings. Accordingly, the majority of the buildings in the first year's programme have been C condition (the only D condition buildings, all in the depots estate, are being separately dealt with through the depots review).
- 4.6 Currently, the Council has 590 buildings in its operational estate and the asset condition ratings are summarised in Figure 2, showing the position at the end of

March 2019. 558 of these buildings are maintained by the Council; a further 32 buildings are maintained by third parties under the Council's PPP and DBFM contracts.

Figure 2- Asset Condition Ratings Split for the Council's operational buildings/assets



4.7 In addition, there are 50 buildings operated by Edinburgh Leisure. The service delivery and day to day maintenance of these buildings is the responsibility of Edinburgh Leisure, however, the terms of the current lease allow Edinburgh Leisure to seek contributions from the Council for any major capital upgrade. Provision was made within the programme to cover this obligation. In practice, Edinburgh Leisure manage their own asset management work programme working with the Council who can either carry out the works and/or contribute to ongoing infrastructure works being implemented by Edinburgh Leisure direct.

4.8 2018/19 is the first of the five-year AMW Programme. Many of the works included in the AMW Programme are phased over a period of a few years and therefore improvements in asset condition will not be formalised in the condition scores until the completion of the works, although ongoing improvement is already evident. It is expected that by end of 2019/20, there will be significant improvements in the numbers of condition categories A and B buildings/assets.

18/19 Programme Update

4.9 Despite the Programme having to overcome significant mobilisation challenges within a restricted timeframe, a significant number of establishments have been improved, with 27 AMW Programme projects completed in 2018/19. The majority of the works has focused on upgrading primary schools although extensive works were carried out to other operational buildings such as City Chambers. The types of works are varied and are tailored for each building/asset based on its asset condition. Works carried out in 2018/19 range from external fabric enhancement works, such as roof and stonework upgrades; Mechanical and Electrical improvements; internal fabric enhancements and toilet upgrades. A selection of

photographs from some of these completed projects illustrating these upgrades can be found in Appendix 1.

4.10 The volume and scale of the programme requires significant interventions in the building fabric and services for each affected establishment. It has not been possible to restrict this scale of works to the school holidays for the school estate and the work programme has continued over term time. In many instances, the programme for each establishment runs over a two-year period. This has meant that the programme has had to overcome considerable disruption to out of hours activities for some schools, with the Council actively seeking solutions with affected parties through the School Lets team of Communities and Families to find alternative venues for the duration of the works. However, the benefit of the short term disruption can already be seen in the quality of the long term environmental improvements.

4.11 The 'Top 10' ongoing and completed AMW Programme project sites in terms of the highest capital spend, in the order of the highest spend are indicated in Figure 3, focussing on the primary school estate.

Figure 3- Top 10 ongoing and/or completed AMW Programme sites by highest capital spend

Top 10 ongoing and/or completed projects by highest capital spend	AMW Project Site
1	Broughton PS
2	Clermiston PS
3	St Mary's (Leith) PS
4	Queensferry PS
5	Balgreen PS
6	St Ninians RC PS
7	Ratho PS
8	Leith PS
9	Buckstone PS
10	James Gillespie PS

19/20 Programme

4.12 In 2019/20, the planned status of the AMW Programme is as follows:

1. 45 projects will commence or will be ongoing in 2019/20; and
2. 35 projects are scheduled for completion in 2019/20.

4.13 The 'Top 10' planned AMW Programme projects in terms of the highest capital spend, in the order of the highest spend are indicated in Figure 4, and continues the priority of addressing the schools estate, primarily primary schools.

Figure 4- Top 10 planned AMW Programme sites by highest capital spend

Top 10 planned AMW projects by highest capital spend	AMW Project Site
1	Echline PS
2	Trinity PS
3	Gracemount PS
4	Queensferry PS
5	Murrayburn PS
6	Balgreen PS
7	Clermiston PS
8	Liberton PS
9	Fox Covert PS
10	St Thomas of Aquin's HS

- 4.14 There are presently 19 projects commissioned for C-rated assets, 71 commissions for B-rated assets and 3 for A-rated assets (which are for enhancements with potential health and safety implications - e.g. Mechanical and Electrical improvements).
- 4.15 The 19 projects commissioned for the C-rated assets will lead to a reduction of C-rated assets (currently 98 numbers) upon completion of the works and almost all of the 98 C-rated assets are either already included in the 2018/19 AMW programme or will be included in the 2019/20 AMW programme of works.
- 4.16 It is forecast that by 2010/21, almost all the buildings/assets targeted for capital investment will be in the B-rated satisfactory condition category. Focus will then be to ensure that buildings do not subsequently deteriorate into C condition.

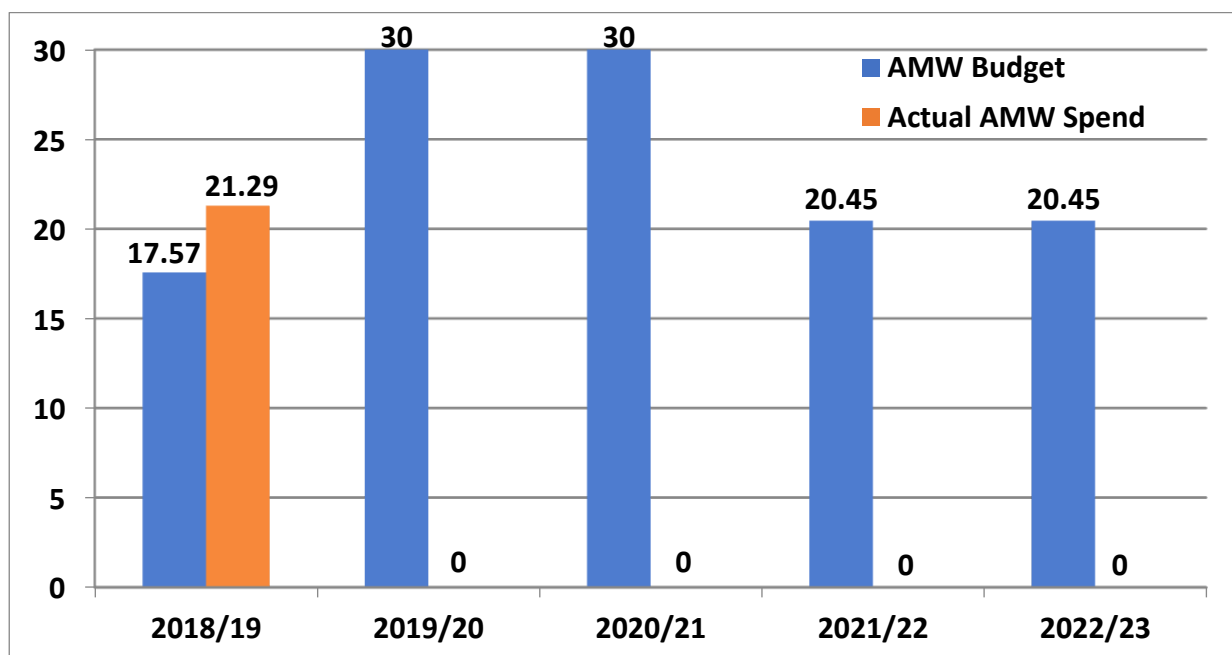
5. Next Steps

- 5.1 Considerable preparation for the 19/20 programme has already taken place, with the new projects being commissioned in September 2018, and design development of individual projects well underway. Enabling works commenced in many establishments over the Easter holiday period. The next significant window for disruptive works will be the summer holidays, although many projects are continuing over the course of the year, where they can co-exist with an operational school environment.
- 5.2 Steps have already been taken by the project delivery teams with respect to the required increase in resources to cater for the considerable uplift in the budget and volume of capital works. An additional supply chain for the delivery of the 2019/20 works has been engaged and two new Project Managers have been appointed. In addition, there will be a greater emphasis on the utilisation of working outside normal office hours such as increased working during the evening and at weekends. The delivery progress will be closely monitored for the duration of the AMW programme, especially for the next two years when the capital budgets will increase substantially to £30m per annum.

6. Financial impact

6.1 The cost profile for the five-year AMW Programme (approved budget and actual spend) is summarised in Figure 5.

Figure 5- AMW Programme Cost Profile: Approved Budget vs. Actual Spend

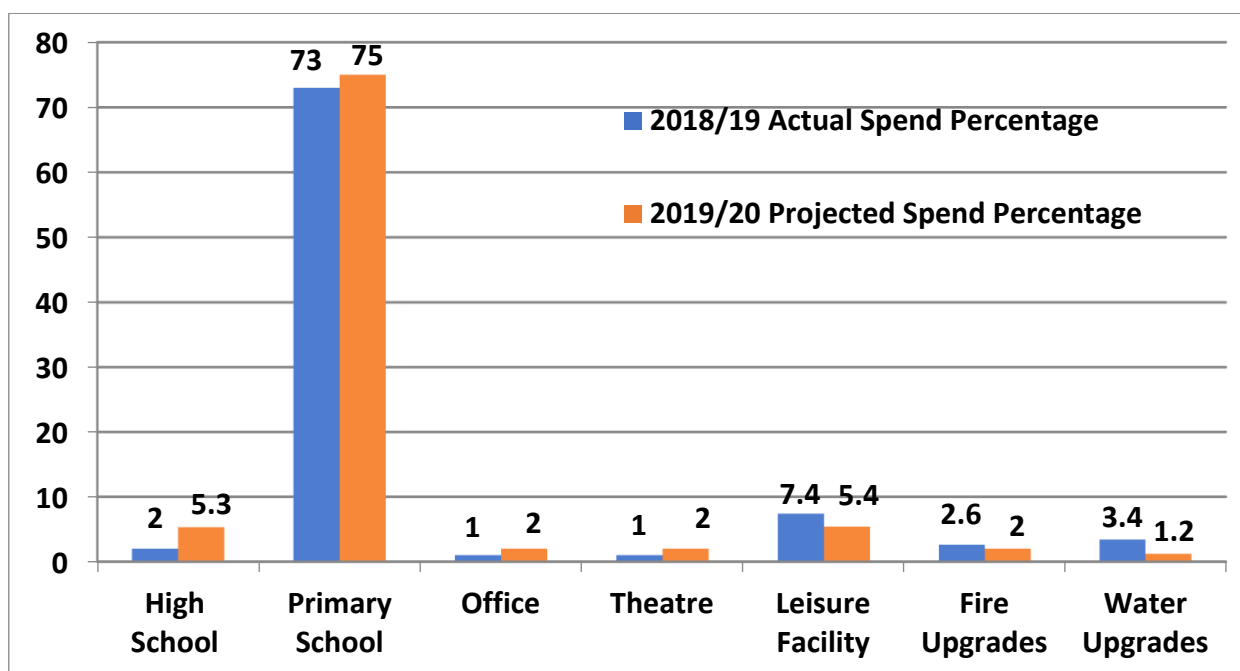


6.2 The total AMW Programme budget for the five-year period is £118.47m. This includes the additional £48.9m capital allocation that was approved in February 2018. The actual capital spend under the AMW Programme in 2018/19 is £21.29m. This is 121% of the approved 2018/19 budget of £17.57m.

6.3 The main focus of the AMW Programme based on building/asset type in 2018/19 and 2019/20 is primary schools, with 73% (in 2018/19) and 75% (in 2019/20) of the AMW Programme costs being spent on primary schools.

6.4 The breakdown for the AMW Programme 2018/19 actual spend and the 2019/20 projected spend based on building/asset type is indicated in Figure 6.

Figure 6 - AMW Programme 2018/19 Actual Spend and 2019/20 Planned Spend by Asset Type



- 6.5 The main challenge and financial risk for the AMW Programme for the next two years is the significant increase in budget to £30m for both 2019/20 and 2020/21. The increased budgets in these years will place pressure on the Council teams to deliver the increased volume of works, with a risk of potential under-spend in these years.
- 6.6 To mitigate the risk of capital under-spend, measures are already being taken to increase the capacity for delivery; such as greater use of evening and weekend working, greater use of term time working, the use of decants for school works and the engagement of an additional supply chain to deliver the works. The Council's Capital Projects delivery resources have also increased with the appointment of two new Project Managers.

7. Stakeholder/Community Impact

- 7.1 It is expected that the AMW building upgrade Programme, along with the recently introduced Planned Preventative Maintenance Programme, will significantly reduce the risk profile associated with operational estate, currently one of the Council's top risks.
- 7.2 Besides the improvements in asset condition, the AMW Programme has other associated benefits which will ultimately benefit affected stakeholders and local communities; such as:
1. Improved environment and ambience for building users.
 2. Improved asset resilience and future proofing of asset condition.
 3. Reduction in health and safety incidents.

4. Reduction in risk of unplanned closures of operational buildings.
5. Improved operating and thermal efficiency of buildings, thereby reducing the Council's running costs and carbon footprint respectively.

7.2 With the main focus of the 2018/19 AMW Programme works being on primary schools, and with this trend continuing in 2019/20, the main impact of the AMW Programme on the stakeholders and the community so far has been during the works delivery phase. To ensure the works are delivered in a safe manner and that school disruptions are kept to a minimum (including any affected after-school activities), regular coordination meetings are being held with Communities and Families representatives and there is constant dialogue and communications with the affected school's Head Teacher and Business Manager. The programme has displaced community users outwith school hours and the Communities and Families School Lets team have been in dialogue with affected users to offer alternative venues. The provision of breakfast clubs and after school care has been safeguarded to protect continuity of provision.

8. Background reading/external references

8.1 Please refer to:

1. [Item 7.3 – Outcome of Property Condition Surveys \(23rd January 2018 Finances and Resources Committee paper\)](#)
2. [Item 7.9 – Property Condition Project- Delivery Programme \(27th March 2018 Finances and Resources Committee paper\)](#)

9. Appendices

Appendix 1: AMW Programme- Examples of 'Before' and 'After' photographs for completed projects.

Appendix 1: AMW Programme- Examples of 'Before' and 'After' photographs for completed AMW projects

Photograph of Clermiston PS roof before enhancements



Photograph of Clermiston PS roof after enhancements



Photograph of Clermiston PS external facade before enhancements



Photograph of Clermiston PS external facade after enhancements



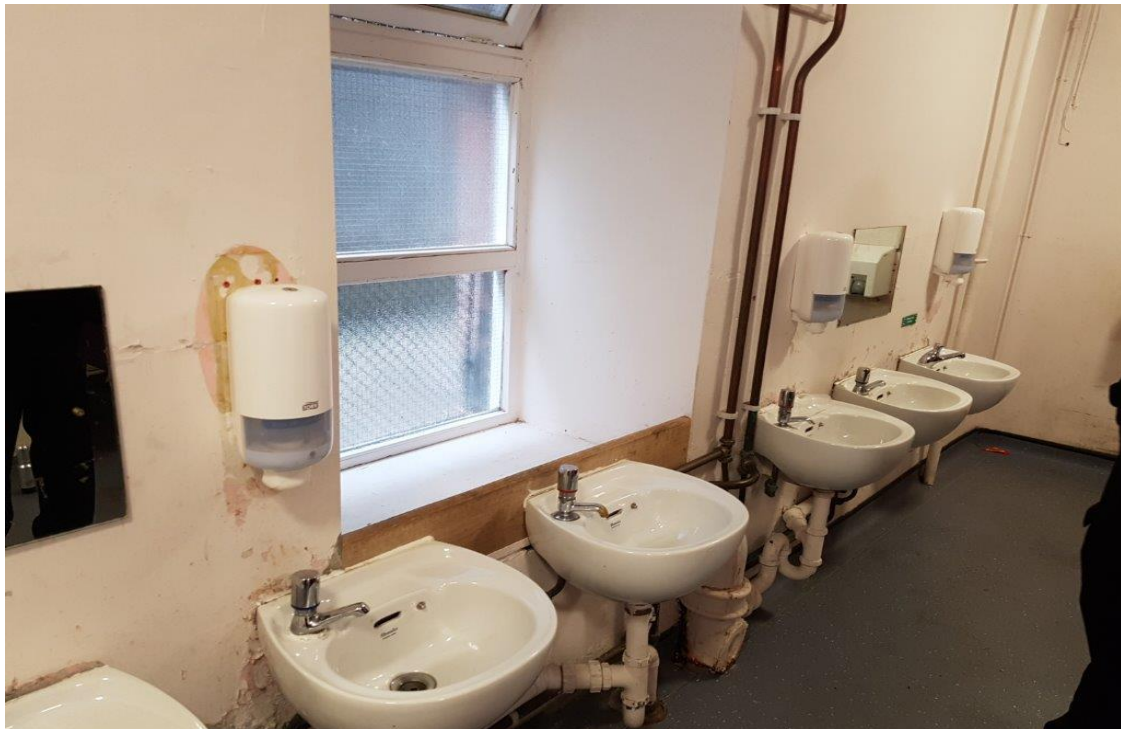
Photograph of St. Ninians PS interior before enhancements



Photograph of St. Ninians PS interior after enhancements



Photograph of Leith PS Infants Toilets before enhancements



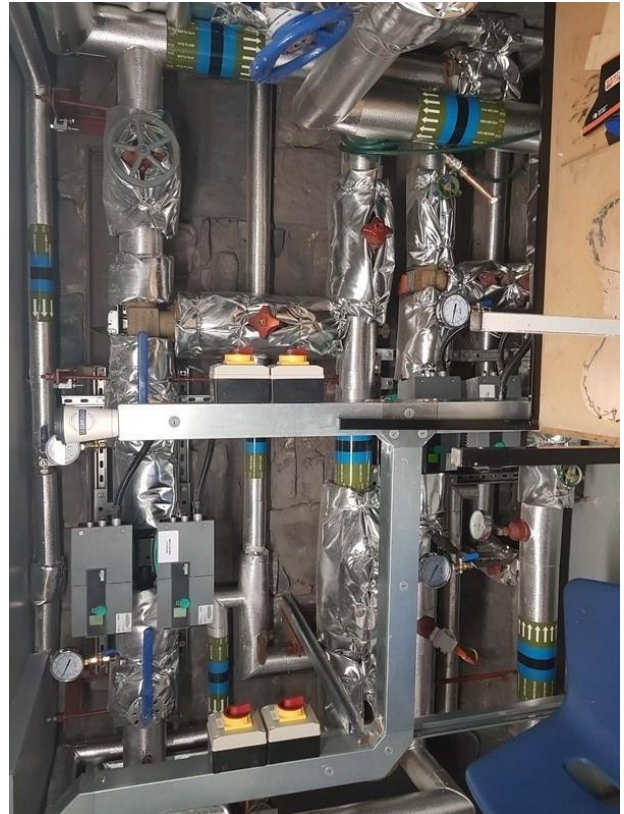
Photograph of Leith PS Infants Toilets after enhancements



Photographs of Preston St. PS Boilers before and after enhancements



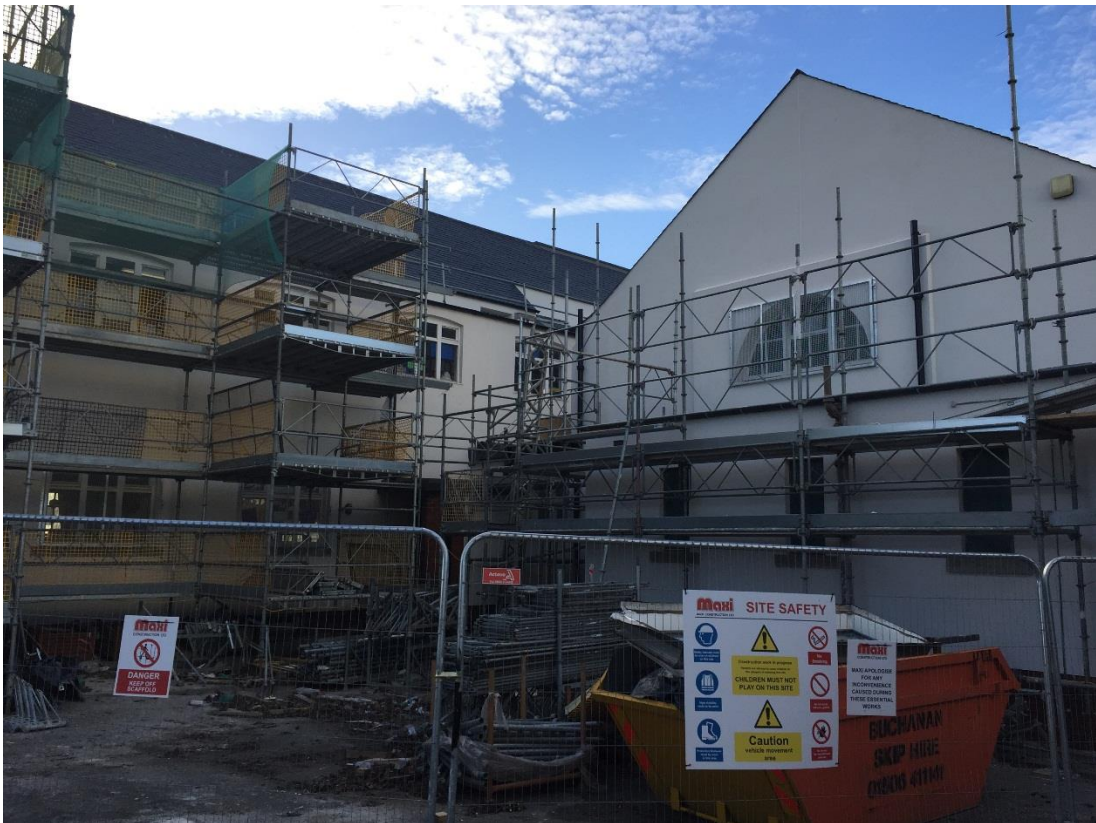
Photographs of Preston St. PS Boilers before and after enhancements



Photograph of St. Marys PS Roof before enhancements



Photograph of St. Marys PS Roof during enhancements



Photograph of Pilrig Park gym hall before enhancements



Photograph of Pilrig Park gym hall after enhancements

