

# Finance and Resources Committee

10.00am, Thursday 5 March 2020

## Asset Management Works Programme – 2019/20 Update

Item no.	
Executive/routine	Executive
Wards	All
Council Commitments	

### 1. Recommendations

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- 1.1 That Committee:
- 1.1.1 Notes the continuing 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 improvement in condition of the operational assets and the benefits it brings to the stakeholders, with an estimated 6% improvement in building condition over the past two years and that this will accelerate during 2020/21;
  - 1.1.3 Notes the 2019/20 spend up to end December 2019 has already exceeded the planned 2019/20 budget with a current spend of 122% against budget; and a forecast outturn of 140% by end March 2020, covered by accelerating budgets;
  - 1.1.4 Notes the main challenges encountered, the main risks in the future and the measures being taken to mitigate these risks; and
  - 1.1.5 Notes the forecast additional funding beyond the current programme proposed in the Capital Budget Strategy to ensure progress can be maintained.

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## Asset Management Works Programme – 2019/20 Update

### 2. Executive Summary

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- 2.1 In January 2018, a new five-year Asset Management Works (AMW) Programme to upgrade property condition was approved, running from 2018/19 to 2022/23. This programme 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 progress of the AMW Programme as the programme approaches the second full year of delivery and provides details of the improvements achieved and their positive impact on the condition of the Council's operational estate.

### 3. Background

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- 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 volume of buildings, coupled with a legacy of underinvestment, has resulted in a complex portfolio of buildings in varying condition. Pre-2018, the historical programme could only address priority issues due to budget limitations.
- 3.2 The situation has been compounded by poor asset information covering both the older 'legacy' buildings and new buildings. Until recently there has been a lack of accurate management information on the condition of the Council's operational buildings which is needed to determine the capital investment to bring them to a safe, dry, legal and operable condition.
- 3.3 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 £193m over five years to address the Council's operational buildings asset condition issues; to deliver the AMW Programme; and to implement a new planned preventative maintenance (PPM) programme.
- 3.4 The AMW Programme was approved in January 2018 with a five-year capital budget totalling £118.7m 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 and is summarised in Appendix 3.

## 4. Main Report

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- 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 to '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 AMW Programme is now approaching the end of the second full year of delivery of the five-year programme. At this stage of the programme, the indications are positive with examples of the programme's completed works having a significant impact on asset condition and improving the user environment.

### Asset Condition Ratings and 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's condition.
- 4.4 The Council uses 'Asset Condition Ratings' on a scale of A to D to assess the condition of the Council's operational assets. The ratings align with the Scottish Government's recommended condition classification methodology 'Core Facts' that was devised for the schools estate. The definitions for each of the condition ratings are described in Figure 1.

Figure 1- Asset Condition Ratings and Definitions

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

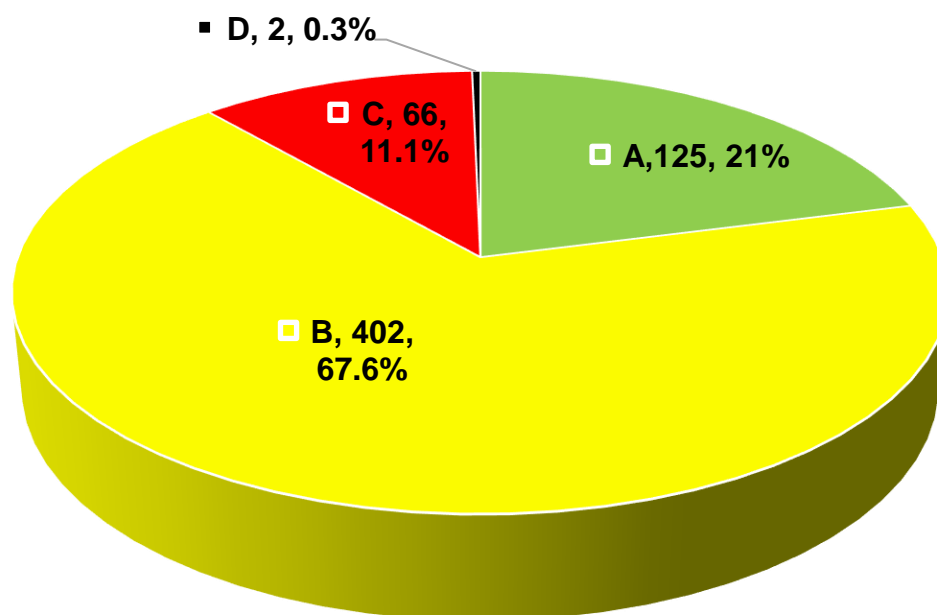
- 4.5 The asset condition ratings are used as part of a risk-based approach for future capital planning and investment decision-making. Capital investments are targeted at those buildings/properties with the lowest condition scoring and which present the highest risk to the Council. Accordingly, the vast majority of the buildings included in the first and second years of the programme have been C condition. There are only two D condition buildings remaining, one being an external store in the depots estate and another is a public toilet. Both of these are being dealt with separately through a depots and public toilets review respectively.

4.6 Currently, the Council has 595 buildings in its operational estate (inclusive of PPP/DBFM properties) and the condition ratings are summarised in Figure 2 which shows the condition position to the end of December 2019:

- Condition A (good)- 125 buildings or 21%
- Condition B (satisfactory)- 402 buildings or 67.6%
- Condition C- (poor)- 66 buildings or 11.1%
- Condition D- (bad)- 2 buildings or 0.3%

Of the 595 buildings, 563 are maintained by the Council and 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/properties**



4.7 The breakdown of the condition ratings for the three main operational buildings/properties classifications of schools estate buildings, community assets/buildings and 'other' buildings are summarised in Figure 3.

**Figure 3- Asset Condition Ratings Split for Schools, Community and Other buildings/assets**

In Condition	A	B	C	D	Total
Number of Schools buildings	61	266	28	0	355
Number of Community Assets	21	58	10	0	89
Number Other Buildings	43	78	28	2	151
<b>Total</b>	<b>125</b>	<b>402</b>	<b>66</b>	<b>2</b>	<b>595</b>

4.8 In addition, there are 47 operational 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 and examples of

Edinburgh Leisure properties which were refurbished with capital contributions from the Council are included in Appendix 2.

- 4.9 The programme also includes generic upgrade and improvement works across the estate including fire services upgrade works, water upgrade works, energy management improvements and upgrades and structural improvement works.

### 2019/20 AMW Programme Update

- 4.10 Now in its second year, the programme has delivered significant improvement in the condition of the estate already. There has been close to a 6% increase in the number of buildings in good or satisfactory condition, illustrated in Figure 4 below. Many of the projects commenced in the first year had a two-year duration and the benefit of these works is now being demonstrated. There are another 15 ongoing projects currently scheduled for completion in the period January 2020 to March 2020 and it is expected that the A and B condition ratings percentages will increase significantly upon completion of these projects during 2020/21.

**Figure 4- Comparison Table of Operational Properties Condition Ratings in 2018/19 and 2019/20 (to end Dec. 2019)**

	2018/19 Percentage	2019/20 Percentage (to end Dec. 2019)	% Difference between 2018/19 and 2019/20
<b>Condition A (Good)</b>	<b>20%</b>	<b>21%</b>	<b>+1%</b>
<b>Condition B (Satisfactory)</b>	<b>62.7%</b>	<b>67.6%</b>	<b>+4.9%</b>
<b>Condition C (Poor)</b>	<b>17%</b>	<b>11.1%</b>	<b>-5.9%</b>
<b>Condition D (Bad)</b>	<b>0.3%</b>	<b>0.3%</b>	<b>No Change</b>

- 4.11 Despite the programme having to overcome significant mobilisation challenges within a restricted timeframe, a significant number of operational properties have had works carried out in 2019/20, with 50 AMW Programme projects scheduled for completion in 2019/20, illustrated in Appendix 1.
- 4.12 As with 2018/19, the majority of the 2019/20 works have focused on upgrading primary schools, although extensive works were carried out to other operational buildings. The types of works are varied and are tailored for each building based on its condition. Works carried out in 2019/20 range from external fabric enhancement works, such as roof and curtain wall/windows 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 2.
- 4.13 The volume and scale of the programme requires significant interventions in the building fabric and services for each affected property. It has not been possible to restrict this scale of works to the school holidays for the school estate and the schools work programme has continued over term time. In some instances, the

programme for each property runs over a two-year period or longer. However, the benefit of the short-term disruption can already be seen in the quality of the long-term environmental improvements.

- 4.14 The 2019/20 'Top 10' ongoing and completed projects in the order of the highest spend are indicated in Figure 5.

**Figure 5- Top 10 ongoing and/or completed AMW Programme sites in order of highest capital spend**

2019/20 'Top 10' ongoing and/or completed projects by highest capital spend	AMW Project Site
1	Queensferry PS
2	Balgreen PS
3	Craiglockhart PS
4	Clermiston PS
5	Gracemount PS
6	Gilmerton PS
7	Ratho PS
8	Fox Covert PS
9	St Ninians PS
10	Kirkliston PS

#### **Looking Ahead to the 2020/21 Programme**

- 4.15 The planning and programming of projects in 2020/21 is still ongoing but there are at least 24 on-going projects which are targeted for completion in 2020/21 and another 13 new projects which are scheduled to commence in 2020/21.
- 4.16 The 'Top 10' planned AMW Programme projects in order of the highest spend are indicated in Figure 6. The trend in 2020/21 is very much a continuation of the priority to address the schools estate, in particular primary schools, but as schools are addressed there are now some libraries which have been included in the 2020/21 programme.

**Figure 6- Top 10 planned AMW Programme sites in order of highest capital spend**

2020/21 'Top 10' planned AMW projects by highest capital spend	AMW Project Site
1	Balerno HS
2	Leith Academy
3	Craigentiny PS
4	Longstone PS
5	Dalmeny PS
6	Colinton PS
7	Buckstone PS
8	Flora Stevenson PS
9	Dalry PS
10	Crammond PS

- 4.17 Upon completion of the 2020/21 AMW Programme, any remaining condition C-rated properties will be considered for inclusion in the 2021/22 AMW Programme of works. It is expected that by end 2021/22, almost all of the buildings/properties targeted for capital investment will be in the condition B-rated satisfactory category. Focus will then be to ensure that buildings do not subsequently deteriorate into C (poor) condition.
- 4.18 Moving forward the approach undertaken during the planning of capital works interventions not only aims to improve the condition of buildings and their performance but to embed energy efficiency improvements wherever possible. Examples of AMW works already being delivered which not only improve asset condition/performance but which will also bring about energy efficiency improvements are:
- Replacement of buildings roofing systems and wall cladding systems with better insulation and U-values to minimise heat/energy loss and which would lead to more energy efficient buildings;
  - Installation of more energy efficient boiler and heating systems and enhanced controls across the estate which allow central monitoring and control of heating within operational properties;
  - Installation of energy efficient LED lighting systems when retrofitting or replacing existing lighting systems; and
  - Installation of energy efficient double-glazed window systems where possible when windows are being replaced.
- 4.19 The AMW Programme Planning and Delivery teams have been, and will continue to, work closely with the Council's Energy Management and Sustainability Team to ensure synergies between energy efficiency improvements and the development of the AMW programme and the broader Council Sustainability Programme and our contribution to the work of the Edinburgh Climate Commission.

## **5. Next Steps and Challenges**

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- 5.1 Considerable preparation for the 2020/21 programme has already taken place, with all the new projects in 2020/21 being fully committed, commissioned and with design development of individual projects well underway. The first significant window for disruptive works in the schools will be the Easter 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 workload and volume of capital works and this will continue to 2020/21. An additional supply chain for the delivery of the works has been engaged and two new Project Managers were appointed and as a result the volume of work being delivered has not only met but surpassed expectations.



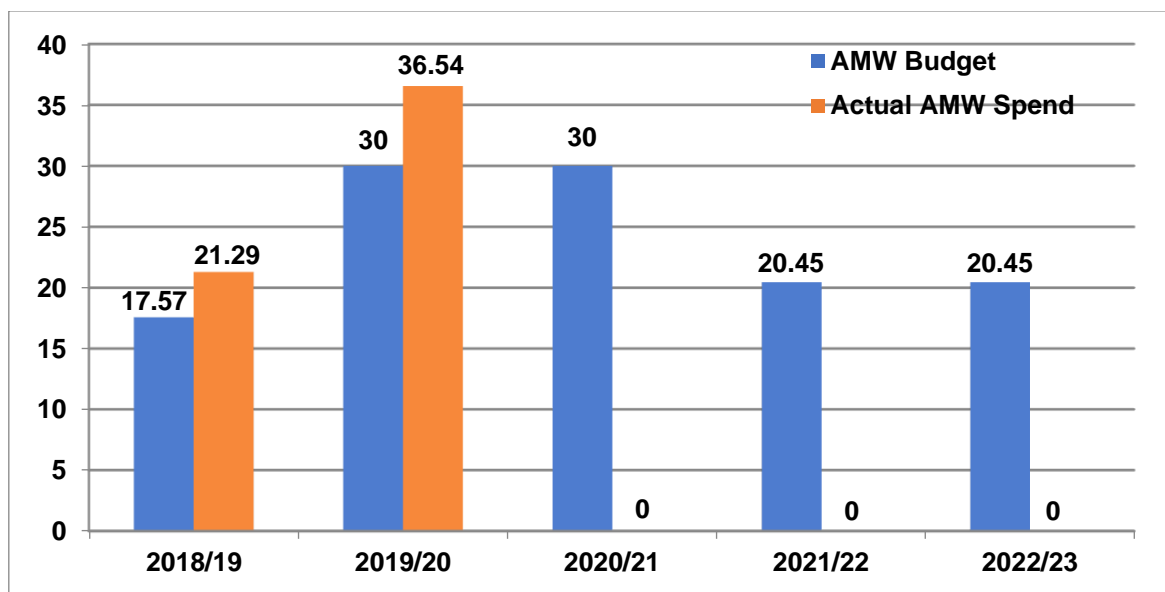
5.3 In addition, there will be a greater emphasis on the utilisation of working outside normal hours such as increased working during the evening and at weekends. The delivery progress will continue to be closely monitored for the duration of the AMW programme.

## 6. Financial Impact and Risks

6.1 The current cost profile for the five-year AMW Programme (approved budget and actual spend up to end December 2019) is summarised in Figure 7.

6.2 The total AMW Programme budget for the five-year period is £118.7m. Through programme acceleration, to bring about benefits earlier, actual spend was £21.3m in 2018/19 (121% of approved budget) and is forecast to be more than £42m in 2019/20, (140% of the approved 2019/20 budget).

**Figure 7- AMW Programme Cost Profile: Approved Budget vs. Actual Spend**



6.3 The main spend has been on primary schools, representing 72% and 79% of spend in the last two years respectively. This trend is set to continue in 2020/21 with 63% of estimated spend on primary schools. A further 12% is budgeted for high schools and 10% for community buildings in 20/21.

6.4 The main financial risk for the AMW Programme is that by 2022/23, most of the five-year AMW Programme budget of £118.7m will have been expended and there will be insufficient budget remaining to undertake works in the final year of the programme.

6.5 There are several reasons for the increased spend in the AMW Programme capital in the first two years of the programme:



1. Market inflation and rise in contractor's costs.
  2. Additional project scope as a result of 'hidden and unknown' but essential works such as asbestos removal, not apparent from visual surveys.
  3. The increased requirement for 'out of hours' working to avoid disruption to operating establishments. The original costings were based on industry standards assuming 'vacant possession' of buildings.
  4. Additional works undertaken to meet changing operational needs- e.g. full-scale kitchen refurbishments which are necessary to meet the operating and catering requirements of the schools.
- 6.6 In recognition of these extra costs to the programme, the Capital Budget Strategy proposes additional funding for the Asset Management Works programme in future years, once the current enhanced five-year programme is complete. In addition to the AMW base budget of £14m pa, the Strategy forecasts a further £4.8m in 2022/23, and £5.6m pa thereafter until 2029/30.

## **7. Stakeholder/Community Impact**

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- 7.1 It is expected that the AMW Programme, together with the Planned Preventative Maintenance (PPM) 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.
- 7.3 With the focus of the 2019/20 AMW Programme works being on primary schools, and with this trend continuing in 2020/21, 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**

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8.1 Please refer to:

1. [Item 7.3 – Outcome of Property Condition Surveys \(23<sup>rd</sup> January 2018 Finances and Resources Committee paper\)](#)
2. [Item 7.9 – Property Condition Project- Delivery Programme \(27<sup>th</sup> March 2018 Finances and Resources Committee paper\)](#)
3. [Item 7.15- Asset Management Works Programme- 2018/19 Update](#)

## **9. Appendices**

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Appendix 1: AMW Programme- Summary of AMW Programme Projects scheduled for completion in 2019/20.

Appendix 2: AMW Programme- Examples of 'Before' and 'After' photographs for completed projects in 2019/20.

Appendix 3: Asset Management Works (AMW) Programme Capital Budgets and Costs Summary and Profile from 2018/19 to 2029/30.

**Appendix 1: AMW Programme- Summary of AMW Programme Projects completed/scheduled for completion in 2019/20**

No	Property	Works Summary	Scheduled Completion Month
1	Balgreen PS	Roof & Rainwater, Doors & Windows, M&E, Internal Fabric, External Fabric & Fire Safety	November 2019
2	Blackhall PS	Roof & Rainwater, Ceilings, Toilet Upgrades, Windows, Decoration, External Fabric Enhancement & M&E	August 2019
3	Broughton PS	Fire Safety, Internal Fabric, M&E & Water Quality	October 2019
4	Broughton PS	Doors & Windows, External Fabric & Roads and Pavements	March 2019
5	Brunstane PS & Nursery	Lighting	August 2019
6	Brunstane PS & Nursery	External Fabric & Roof & Rainwater	January 2020
7	Bruntsfield PS	Roof, M&E, Windows, Toilets & Decoration	February 2020
8	Canal View PS		March 2020
9	Carricknowe PS	Doors & Windows	August 2019
10	City Chambers	Electrical Installation & Lighting	March 2020
11	Clermiston PS	Doors & Windows, External fabric, Internal fabric, M&E, Toilet Upgrades & Roof & Rainwater	September 2019
12	Clovenstone PS	Roof, Ceilings, Doors, Toilets, M&E & Decoration	March 2020
13	Corstorphine PS	Windows, Stonework, Decoration, Tarmac Upgrade & Decoration	November 2019
14	Craigentinny House Community Centre & Office	Roof & Rainwater	November 2019
15	Craiglockhart PS	Doors & Windows, Internal Fabric, M&E & Roads & Pavements	November 2019
16	Currie PS	Boilers	August 2019
17	Davidson Mains PS	M&E, Toilets, Fabric Upgrades & Doors & Fascias	March 2020
18	Echline PS	External Fabric & Roof & Rainwater	August 2019
19	Echline PS	Internal Fabric, M&E & Water Quality	May 2019
20	Ferrylee HOP	M&E	October 2019
21	Fox Covert PS	Doors & Windows, Roof & Rainwater, External Fabric, Internal Fabric & M&E	October 2019
22	Gracemount PS	Doors & Windows, External fabric, Internal fabric, M&E, Roof & Rainwater & Toilet Upgrades	October 2019
23	Gilmerton PS	Doors & Windows, M&E, External Walling, Decoration, Structural Work, Drainage Works, Roof Works, Hard Landscaping & External Joinerwork	March 2020
24	Granton PS	Roof & Rainwater, M&E, Decoration & Tarmac Upgrade	March 2020
25	Hillwood PS & Nursery	Windows, M&E, External Works & Decoration	October 2019
26	Kirkliston PS	Roof & rainwater, Ceilings, Toilet Upgrades, Windows, M&E, Decoration & Boundary & Playground Surface	March 2020
27	Leith Walk PS & Nursery	Doors & Windows, Decoration, Flooring, external Surfacing & Fencing & Toilet Upgrade	December 2019
28	Lorne PS	M&E & Internal Fabric	November 2019
29	Moredun YPC	ME, Decoration & Floor Coverings	December 2019
30	Murrayburn PS	Doors & windows, External fabric, Internal Fabric & M&E	July 2019
31	Prospect Bank SS	M&E	December 2019

32	Queensferry PS	Doors & Windows, External Fabric, Internal Fabric, M&E, Roof & Rainwater, Toilet Upgrades & Kitchen	October 2019
33	Ratho PS	M&E, Internal Fabric, Playground Upgrades & Toilet Upgrades	August 2019
34	Royal Mile PS	Windows, Stonework, M&E, Decoration & Paving & Tarmac Upgrade	March 2020
35	Sciennes PS	Roof & Rainwater	August 2019
36	Sciennes PS	Doors & Windows, External Fabric, Fire Safety, Internal Fabric, M&E & Toilet Upgrades	October 2019
37	Sighthill PS	Wall Repairs, Doors & windows, Roofing, Decoration, M&E & Security Fencing	March 2020
38	South Morningside PS	Windows, M&E, Decoration & External Fabric	February 2020
39	St, Cuthberts PS	M&E	August 2019
40	St. John Vianney PS	M&E	August 2019
41	St. Margarets PS	Roof & Rainwater, Structural Repairs, Toilet Upgrades, Ceilings, M&E & Decoration	November 2019
42	St Marys (Edinburgh) PS	Roof & Rainwater, Windows, M&E & Decoration	February 2020
43	St Marys (Leith) PS	Internal fabric, M&E, Decoration, Flooring & Toilet Upgrade	August 2019
44	St. Ninians PS	External Fabric, Internal Fabric, M&E & Roof & Rainwater	September 2019
45	St. Thomas of Aquin's HS	M&E	August 2019
47	Stockbridge PS	Flooring, Ceilings, M&E, Windows & Decoration	March 2020
48	Tollcross PS	Toilet Upgrades, Decoration & Windows	November 2019
49	Towerbank PS	Windows, Joinerwork, M&E, External Works and Decoration	February 2020
50	Trinity PS	Roof & Rainwater, External Fabric, Internal Fabric, Doors & Windows, Toilet Upgrades & M&E	August 2019

**Appendix 2: AMW Programme- Examples of 'Before' and 'After' photographs for completed AMW Projects**

**Photograph of Typical Classroom at Broughton PS before Enhancements**



**Photograph of Typical Classroom at Broughton PS after Enhancements**





**Photograph of External Wall at St. Margarets PS before Enhancements**



**Photograph of External Wall at St. Margarets PS after Enhancements**





**Photograph of Gym Hall at Trinity PS before Enhancements**



**Photograph of Gym Hall at Trinity PS after Enhancements**





**Photograph of Typical Classroom at Echline PS before Enhancements**



**Photograph of Typical Classroom at Echline PS after Enhancements**





**Photograph of Dalry Swimming Pool Reception after Refurbishment (CEC Funding Contribution to Edinburgh Leisure Managed Property)**



**Photograph of Dalry Swimming Pool after Refurbishment (CEC Funding Contribution to Edinburgh Leisure Managed Property)**



### Appendix 3- Asset Management Works (AMW) Programme Capital Budgets and Costs Summary and Profile 2018/19 to 2029/30

Profile of AMW Programme approved yearly budgets	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	Total for 18/19 to 22/23 5-year programme	Total for 18/19 to 29/30 over 12 years
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Current AMW Programme Budgets &amp; Cost Profile</b>														
AMW Programme Approved Budget	17,570	30,000	30,200	20,475	20,450	14,000	14,000	14,000	14,000	14,000	14,000	14,000	118,695	216,695
Actual Project Cost-Spend Profile	21,290	36,541 (to end Dec. 19)	-	-	-	-	-	-	-	-	-	-	57,831 (to Dec.19)	57,831 (to Dec.19)
<b>Increase in Capital Investment for AMW Programme works (subject to approval at Feb 2020 Council budget)</b>														
Asset Management Works	-	-	-	-	4,800	5,400	5,400	5,400	5,400	5,400	5,400	5,400	4,800	42,600