

# Finance and Resources Committee

10.00am, Thursday 5 March 2020

## Asset Management Strategy Transformation Programme - Update

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

---

- 1.1 The Finance and Resources Committee is recommended to:
- 1.2 Note the update on the component parts of the Asset Management Strategy Programme and approves to close this programme and associated reporting arrangements.
- 1.3 Notes the strategic direction of travel for the future associated with a Land/Asset Commission and approach and service design led programme, with a report to be submitted to Committee on this revised approach in May 2020.

**Stephen S. Moir**

Executive Director of Resources

Contact: Peter Watton, Head of Property and Facilities Management,  
Property and Facilities Management Division, Resources Directorate.

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

# Report

## Asset Management Strategy Transformation Programme – Update

### 2. Executive Summary

---

- 2.1 The Council's 2015 Asset Management Strategy (AMS) and the associated transformation programme were developed to create a credible, focused and financially sustainable delivery plan for the Council's operational and commercial property estates, as well as the in-house delivery teams within the Property and Facilities Management (P&FM) Division.
- 2.2 This report presents an update on the current position of the AMS.

### 3. Background

---

- 3.1 The Asset Management Strategy (AMS) and associated transformation programme is part of the wider Council Change Portfolio, aimed at achieving more effective and efficient use of the Council's asset base and associated service provision, primarily Facilities Management.
- 3.2 There have been numerous reports to Committee following the approval of AMS, on 24 September 2015, as detailed in section 8.
- 3.3 The purpose of this report is to finalise the outputs from the AMS in the context of wider saving requirements; seek acknowledgement of the strategic direction of travel of the wider property portfolio and endorsement to how the Council will achieve financial sustainability in property costs in the future. This report should be read in conjunction with the Asset Management Works Programme and Community Centre Maintenance Costs reports on the agenda of this meeting.

### 4. Main report

---

#### 4.1 Estate Rationalisation and Service Design Workstream

- 4.1.1 The main achievements to date of the Estate Rationalisation workstream of the AMS have been:
  - The exit of Lothian Chambers and relocation of services into the City Chambers complex and entering into a long lease with the French Consulate;

- The exit of 329 High Street, with the relocation of staff into the remaining City Chambers complex and resulting long lease of the building;
- The release of former Advice Shop space at 249 High Street (City Chambers complex) to rent out to Visit Scotland and the lease of office accommodation to the same party;
- The exit of the leased-in property at 1a Parliament Square and relocation of the Homelessness Service into neighbourhood offices;
- The exit of the Health and Social Care Partnership from the Bonnington Office, relocating them to neighbourhood offices and leasing the space to the Tram Extension Project Team; and,
- The rental of space in Waverley Court to CGI UK Limited to attract an income stream.

4.1.2 In addition, work is well underway to exit Westfield House by June 2020. These proposals have created savings of £1.2m pa and £7m of capital receipts. It is not coincidental that that all these projects are part of the Council's office accommodation portfolio.

4.1.3 In tandem with the above, significant savings and capitals receipts have been generated through the depot strategy which, subsequent to the AMS, were ringfenced for reinvestment in that portfolio creating a double count with the original AMS assumptions. This approach has now also been approved for the collections and culture estates.

4.1.4 Work in this area continues principally through a service design approach, based on a co-design of solutions focusing on both data and localised engagement with service deliverers and users. To date, the focus has been on areas of change where there is an investment catalyst such as new school. However, the indications are that this may offer a solution to minimising future budget pressures associated with infrastructure growth, rather than creating savings against current budgets.

4.1.5 There are currently four specific projects under consideration through this approach and a quick update is as follows:

- Gracemount - local members have been briefed on the outcome of the engagement process. Schools engagement has begun on the new St Catherine's Primary School to test the principles of a community hub type development.
- Currie - the feedback from the community engagement in Currie highlighted the desire for use of sports facilities more than social spaces and for the use of facilities at weekends and evenings. The outcome is now being fed into the strategic brief and the design development for the new Currie High School. Updates will be progressed through the Education, Children and Families Committee.

- Wester Hailes a place plan is being developed by the community in Wester Hailes. The Chief Architect from the Scottish Government has been seconded to Place to assist the community to develop this. No further engagement is recommended until the outcome of this is reached at which point proposals on the next steps will be agreed with Place services; and,
- Trinity Academy Phase 2 – a strategic brief is underway and community engagement will be co-ordinated via the Communities and Families Directorate. The potential for release of surplus accommodation will be considered as part of this.

## 4.2 Investments Workstream

- 4.2.1 This workstream achieved all financial targets set by the AMS, albeit not through how the strategy recommended. Income maximisation has continued to be the focus of the management of the portfolio with the wider strategy approved by Committee on 23 May 2019.
- 4.2.2 Current targets include maintaining a void rate below the target level of 7% (consistently under 4% monthly) and managing un-forecast financial pressures such as the collapse of Jamie's Italian restaurant, leading to a loss of expected lease income.

## 4.3 Facilities Management (FM) Workstream

- 4.3.1 The modernisation of the FM service continues with the recent completion of an organisational review of the Council's 750 strong cleaning service. This review, coupled with the cleaning supervisors review which concluded in Autumn 2019, has resulted in a re-organisation and re-alignment of service provision across the City, whereby staffing and technical resource can be better matched to individual building need based on the introduction of the British Institute of Cleaning Science (BICS).
- 4.3.2 As with earlier reviews of the Council's in-house FM service provision, the review of the cleaning service will be complemented by the introduction of a Service Level Agreement (SLA) and associated Key Performance Indicators (KPIs) to allow for meaningful performance measurement which will be regularly reviewed and reported on at a standing meeting held between the Communities and Families Directorate and FM staff which was established to consider performance and operational issues for the main 'client' Directorate.
- 4.3.3 The cleaning service, as part of FM, has recently been awarded the ISO (International Organisation for Standardisation) 9001 and the Occupational Health and Safety ISO 45001 certification. The ISO 9000 and 45001 family of quality management systems standards are designed to help organisations ensure that they meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements.
- 4.3.4 The award of both certificates followed a rigorous multi stage external audit of the cleaning service's integrated quality and performance management systems. This included the review of the overall quality and Occupational Health and Safety management systems.

4.3.5 The upskilling of the janitorial workforce through the introduction of technology and modernised ways of working continues to produce benefits including enabling staff to carry out minor repairs and maintenance duties in schools and community centres which previously would have been reported to the helpdesk and commissioned via external contractors.

#### 4.4 **Conclusions**

4.4.1 The AMS has reached the end of its programme and while significant benefits have been achieved, such as the Asset Management Works report elsewhere on this agenda, the major issues that have subsequently manifested have to be acknowledged and addressed for the future strategy or else there is a risk of making the same mistakes.

4.4.2 There is a direct correlation between the size of the Council's property portfolio and the increasing financial pressures associated with staffing, maintaining and repairing these properties. The starting point is therefore an acknowledgement and agreement from Committee that the strategic direction for the Council's property portfolio is one of significant growth with a further 1.2m square feet of accommodation already approved and onsite or in design for delivery over the next 2 years. This trend is forecast to continue beyond this timeframe.

4.4.3 The second main acknowledgement is that revenue savings from the education, depots, collections and cultural elements of the property estate are not available as new savings, effectively reducing the revenue opportunities currently available by approximately 75%.

4.4.4 While pursuing one-off opportunities in the less contentious buildings, such as Bonnington Resource Centre and Westfield House will continue in practice, the main focus has to be how the Council can facilitate service re-provisioning and redesign, enabling the disposal of surplus buildings by making better and multipurpose use of the newer accommodation it is building. The service design approach aims to focus on the services itself, not the buildings that accommodate them, and engender greater community ownership of emerging proposals. It seeks to facilitate a "community hub" approach where multiple services are hosted in and delivered from of a single property. In theory, savings can be created where existing services can be relocated and reprovisioned via a new hub and their former buildings closed. To date, service design has focussed on areas of change where there is an investment catalyst, such as new school, and it should be noted that service design may offer a solution to minimising future budget pressures associated with infrastructure growth, rather than creating savings against current budgets.

4.4.5 The response to the above, the Council's Chief Executive has established a Land/Asset Commission with partnership agencies, attended by senior officers from the Council, Scottish Futures Trust, Scottish Government, NHS Lothian, Police Scotland, the Scottish Fire and Rescue Service, Scottish Enterprise and Edinburgh University. The focus is to work together to deliver outcomes led, place making opportunities that join up service delivery and estates rationalisation opportunities between strategic partners.

4.4.6 Meetings have already taken place and a sub group established between the strategic partners to focus in upon emerging opportunities. It is proposed to bring a report on the proposed structure, activities and outputs to Committee at next cycle in May 2020.

## 5. Next Steps

---

- 5.1 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. Other options for estate rationalisation are being pursued through the Council's Change Strategy, including Depot Review, Storage Efficiency measures and Cultural Venue Consolidation.
- 5.2 The rationalisation and FM transformation elements of the AMS will be subject of a closure report to the Change Board with the Investments workstream already closed and adopted as business as usual moving forward.

## 6. Financial impact

---

- 6.1 The initial AMS target was to achieve recurring savings of £6.2m pa by 2020/21.
- 6.2 As previously reported, in year additional savings of £1.339m were added for financial year 2018/19, and a further £2.996m for F/Y 2019/20 and finally proposals for £1.123m for F/Y 2020/21. The current RAG status is forecast in the table below:

<b>AMS WITH OTHER SAVINGS, FORECAST SAVINGS AND PRESSURES</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
SAVINGS TARGETS	800	1.600	7.032	10.535	9.658
RED	55	0	3.106	2.527	1.827
AMBER	15	0	0.943	1.85	0.85
GREEN	730	1.600	3,023	6.158	6.981
TOTAL	800	1,600	6,827	10.535	9.658

## 7. Stakeholder/Community Impact

---

- 7.1 Engagement across the Council and with wider stakeholder groups has been and continues to widespread in relation to the re-design of the FM function.
- 7.2 Regular co-ordination meetings are held with Communities and Families representatives in respect of the ongoing AMW Programme.

7.3 The service led design approach has engagement and communication plans approved by the Programme Board prior to any community engagement or consultation taking place.

7.4 No negative impacts or sustainability issues will arise from this report.

## **8 Background reading/external references**

---

8.1 Please refer to: [September 2015](#), [November 2015](#), [January 2016/March 2016](#), [June 2016](#), [September 2016](#) (item 7.2) [December 2016](#), [February 2017](#), [January 2018](#), [June 2018](#), [September 2018](#), [February 2019](#), and [August 2019](#) Finance and Resources Committee papers.

## **9 Appendices**

---

9.1 None.