

# Finance and Resources Committee

10.00am, Thursday, 15 August 2019

## Asset Management Strategy Transformation Programme - Update

Executive/routine Wards Council Commitments	Executive
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### 1. Recommendations

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- 1.1. That Committee notes the update of the component parts of the Asset Management Strategy.

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## Asset Management Strategy Transformation Programme - Update

### 2. Executive Summary

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- 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

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- 3.1 The Asset Management Strategy (AMS) and associated transformation programme is a significant element 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 The AMS sought to create a credible, focused, and sustainable delivery plan for Property and Facilities Management in the broadest sense. It aimed to deliver a fit-for-purpose, optimised, effectively utilised and safe estate; providing appropriate levels of service at an acceptable and efficient cost; and to act in a commercial manner, which seeks to maximise value and return for the Council.
- 3.3 The AMS update report to Committee, on 1 February 2019, highlighted the outcomes achieved from the original AMS approval; summarised the residual issues with the strategy and how these have impacted proposed savings; and focused on a deep dive of the current financial position and the requirement for additional savings from 2019/20, all in the context of an ever-increasing property estate.
- 3.4 Committee approved the report and noted that future reports would focus on the strategy moving forward, including updates on the component parts of the AMS. As such, this report should be read in conjunction with the Service Design report on the agenda of this meeting.

## 4. Main report

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### 4.1 Investments Workstream

- 4.1.1 The original business case recommended the implementation of a clear investment strategy to be applied to the existing portfolio to produce a smaller, more focused and better performing portfolio. A further key element of this strategy was the move from concessionary rental agreements to market rents.
- 4.1.2 The cumulative savings for the AMS, related to the optimisation of the investment portfolio over a 5-year period, was £2.1m per annum, and although the income/financial benefits targets have been achieved, limited benefit could be credited to the original business plan.
- 4.1.3 Optimisation of the Investment Portfolio was achieved on a strategy of income maximisation through commercial management of the portfolio. The strategy moving forward was approved by Committee on 23 May and will continue as business as usual for the management of the portfolio with a proactive approach to the identification of lease events (rent reviews/lease expiries).
- 4.1.4 In respect of concessionary lets, where possible, efforts have been made to transfer properties which are let on concessionary arrangements to market value. These will be required to be considered on their own merits, on a case by case by Committee.
- 4.1.5 In summary, income maximisation will be the key focus but has to be managed against risks inherent in any property portfolio. For example, the recent liquidation of the Jamie's Italian restaurant chain has created a £300k in year pressure.

### 4.2 Asset Condition

- 4.2.1 The Asset Management Works (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 AMW Programme has been developed to upgrade the condition of the Council's operational buildings to a condition of satisfactory or above and to address the backlog of maintenance issues over a 5-year period (2018/19 to 2022/23).
- 4.2.2 As reported to Committee on 23 May 2019, the first year (2018/19) of the five-year AMW Programme is now complete with good progress being made. The actual capital spend under the programme in 2018/19 was £21.29m, surpassing the approved 2018/19 budget of £17.57m by 21%.
- 4.2.3 Works are continuing for the 2019/20 planned works and are progressing smoothly with £9.66m actual spend as of the end of June 2019. The budget has increased considerably to £30m in 2019/20 and the main challenge in the coming year is to ensure that the planned works are delivered on time and to budget while minimising disruption to the operational properties as the majority of the works so far have focused on upgrading primary schools.

4.2.4 Although the works are phased over a 5-year period and with only full year 1 complete, ongoing improvements in asset condition are already evident as a direct result of the AMW Programme work. An annual detailed report will be presented to Committee in May/June each year.

#### 4.3 **Estate Rationalisation**

The Service Design programme, looking at services and assets in individual communities, is being progressed in the Gracemount/Southhouse/Burdiehouse area as a pilot. A separate, more detailed, update report on the Service Design approach is on the agenda of this Committee.

#### 4.4 **Facilities Management**

4.4.1 The transformation of the Facilities Management service continues with the recent completion of a review of Cleaning Supervisors across the city. An operational review of the Council's 750 cleaning staff is currently underway.

4.4.2 It is now 12-months since the launch of the new janitorial service following the review undertaken. Weekly meetings and customer feedback processes have been established with the main customer group, the Communities and Families Directorate. One of the important drivers behind this review was to upskill the workforce through the introduction of technology and modernised ways of working. One of the intended benefits was to enable staff to carry out minor repairs and maintenance duties in schools (such as the replacement of toilet seats) which previously would have been reported to the helpdesk and outsourced to contractors. Between August 2018 and 2019, over 2,000 such jobs were carried out by in-house staff which would have previously been carried out by external framework contractors to a value of circa £300,000.

#### 4.5 **CAFM**

Significant progress has been made with the introduction of the Computer Aided Facilities Management (CAFM) system over the last two years. Following successful implementation of the Janitorial Model and the significant investment made in upskilling the staff, a mobile enabled service has been implemented which provides over 200 members of Janitorial Staff the ability to report Health and Safety issues identified on site direct to the FM helpdesk and allows the FM service to audit H&S checks undertaken on a daily basis. Over the next 6 months, the focus for the CAFM programme will be supporting the Hard FM re-procurement.

#### 4.6 **Conclusion**

4.6.1 As previously reported, there is a direct correlation between the size of the Council estate and the increasing financial pressures associated with staffing, maintaining and repairing these properties.

4.6.2 Creating a financial sustainable P&FM business plan moving forward will require the closure of existing properties. There is a desire that any closures should be strategic and service led and the new approaches taken to engagement with local communities and stakeholders over service design need to be operationally and politically embraced if they are to succeed in rationalising the Council estate to the required degree.

Failure to do so will result in forecast savings being underdelivered and front-line services being spread thinner.

## 5. Next Steps

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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.

## 6. Financial impact

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6.1 The initial AMS target was to achieve recurring savings of £6.2m pa by 2020/21, broadly split into three distinct but inter-related areas as follows: -

- the rationalisation of the operational property estate (£2.2m);
- the modernisation of FM Services (£1.9m); and
- the optimisation of the investment portfolio (£2.1m).

6.2 On top of the savings above, a further £1.339m of savings were subsequently approved for 2018/19. The pressure from unachieved savings in 2018/19 was largely mitigated by one off actions. However, the recurring pressure carrying forward results in a starting deficit position for 2019/20. To this, new savings proposals approved for 2019/20 and beyond have to be added, resulting in the current pressure of £2.660m in 2019/20, increasing to £4.952m in 2020/21, as shown below: -

<b>ALL PROPERTY AND FACILITIES MANAGEMENT SAVINGS - SUMMARY</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	£'000	£'000	£'000	£'000	£'000
SAVINGS TARGETS	800	1,600	7,139	11,477	14,195
RED	55	0	198	2,660	4,952
AMBER	15	(280)*	175	1,860	2,575
GREEN	730	1,880	6,766	6,957	6,668
<b>TOTAL</b>	<b>800</b>	<b>1,600</b>	<b>7,139</b>	<b>11,477</b>	<b>14,195</b>

\*Relates to an unbudgeted recurring cost that was mitigated by additional savings in 2017/18

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

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- 7.1 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.
- 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, regular co-ordination meetings are held with Communities and Families representatives.
- 7.3 The service led design approach will see an engagement and communication plan developed for each core area and put to the Programme Board for approval prior to any community engagement or consultation taking place.
- 7.4 No negative impacts on sustainability will arise from this report.

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

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- 8.1 [Finance and Resources Committee - 24 September 2015](#)
- 8.2 [Finance and Resources Committee - 26 November 2015](#)
- 8.3 [Finance and Resources Committee - 14 January 2016](#)
- 8.4 [Finance and Resources Committee - 17 March 2016](#)
- 8.5 [Finance and Resources Committee - 9 June 2016](#)
- 8.6 [Finance and Resources Committee - 29 September 2016](#)
- 8.7 [Finance and Resources Committee - 1 December 2016](#)
- 8.8 [Finance and Resources Committee - 23 February 2017](#)
- 8.9 [Finance and Resources Committee - 23 January 2018](#)
- 8.10 [Finance and Resources Committee - 12 June 2018](#)
- 8.11 [Finance and Resources Committee - 27 September 2018](#)
- 8.12 [Finance and Resources Committee - 1 February 2019](#)

## **9. Appendices**

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None.