

Improving Asset Management across the Scottish Public Sector

The Local Civil Estate

September 2011

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1. Executive Summary

1.1. Improving Asset Management – The Local Civil Estate

The Scottish Futures Trust (SFT) was invited in the 2011/2012 budget by the Cabinet Secretary for Finance and Sustainable Growth to:

“Take forward a pilot project through the South East hub territory to assess ways to improve asset management and estate planning across public bodies at a community level”

The initial work in the pilot project is complete and was undertaken by SFT in the early part of 2011. It involved those organisations operating in the South East hub territory namely:

- NHS Lothian
- NHS Borders
- City of Edinburgh Council
- West Lothian Council
- Midlothian Council
- East Lothian Council
- Scottish Borders Council
- Lothian & Borders Police
- Lothian & Borders Fire & Rescue Service
- Scottish Ambulance Service

This report on the project has been prepared by SFT. The report sets out the purpose, context and findings from the project and contains proposals for a programme of action over five years to realise significant benefits from improved asset management at a community level. Extrapolating the findings from the South East to a Scotland wide basis provides an outline estimate of at least £500 million of potential revenue savings and capital receipts.

The focus of the proposals that have emerged from the pilot project, and from reviewing experience elsewhere, is that while a lot of good work has been and is currently being undertaken by public bodies operating within their own organisations, significantly greater benefit can be realised if there is a greater amount of cooperative working across organisational boundaries.

The South East hub territory was chosen as the pilot as it was the first hub territory to be established and its member composition of five local authorities and two health boards, plus the emergency services, provides a reasonably representative pilot area. There are four other hub territories - North, East Central, West and South West. All five hub territories have a similar population base of 1 million people. The hub programme with its focus on the joint planning, procurement and delivery of new assets has established a governance structure that can encompass wider asset management.

1.2. Approach

The ten local public bodies in South East Scotland, managing over 4000 assets with a book value of circa £3 billion and running costs of over £150 million a year, worked over an eight week period to provide high level property data, benchmark asset management activities against best practice and identify opportunities.

The high level data, analysed by property professionals experienced in public sector asset management, shows that while much of the 'low hanging fruit' has been picked, the scale of property ownership still provides opportunities for savings. For example, there are approaching 100 depots and 200,000m² of office space, while over 2,250 full time equivalent staff are employed to manage and operate the estate across the separate organisations. External spend (the majority comprising capital expenditure) totalled £275 million in the 2009-10 financial year. There is a significant amount of surplus estate for disposal or re-assignment across the NHS portfolios.

The potential benefit is derived from the participants' property data and their self-assessment of existing practices. The financial estimate of £500 million of benefits for the whole of Scotland is suggested as being a prudent initial goal for the programme. The report identifies the opportunity to deliver significantly more than this. It is recommended that the goal be reviewed once more data is collated on the four non-pilot areas.

1.3. Collective Action and Collaboration

While some efficiency gains in asset management will already be factored into current action plans and budgets, significantly increased collaborative working will help the sector move towards the higher end of the benefits spectrum. It will also release the benefits faster and at a lower cost of implementation. Unlocking the full prize requires the harnessing of the considerable collective desire to cut wasteful use of property resources and provide multi-service facilities that can improve citizens' experience of accessing joined up and tailored public services. It also requires fundamental challenge of services' dependency on property and the opportunity to adopt alternative channels of accessing public services. The biggest savings are likely to come from those initiatives which are more ambitious both organisationally and politically.

This joint approach to asset management will enable the delivery of improved outcomes for public services. It has been endorsed by the Christie Commission in its report, where it states: *"We recommend all relevant public bodies must participate in the preparation of a joint long-term asset management plan under the aegis of each local community planning partnership, based on a shared assessment of the current condition of their assets"*.

The collaborative approach is also supported by commentaries from Audit Scotland, the Improvement Service and current action within their programmes by UK Government.

The South East participants' work has shaped a programme of collective action on improving asset management that will help address the need to deliver significant savings, enhance retained services and contribute towards sustainability targets. Their proposals support the

need to move towards collaborative asset management. The participants in the South East have prioritised a number of early initiatives that also have a general application, including:

Joint planning and shared accommodation - to identify shared facilities including depots and workshops, offices, customer contact centres and training centres. This will entail locality asset rationalisation and co-location planning and involve peer reviews of partner asset management plans.

Sharing people, management and contracts - which will involve pooling expertise, sharing contract management and joint procurement of FM contracts, reducing duplication of consultants and internal resources and exploiting economies of aggregation.

Sharing data - to allow each organisation's property assets to be viewed by others.

Surplus property coordination - to help manage the release of property to the market to ensure competitive pricing, and to help identify opportunities to leverage value, for example by exploiting marriage values.

Pooling assets - involving consideration of alternative models for collectively managing assets.

Work continues on the initiatives in the pilot project area and building on the experience from the pilot it is recommended that a programme be established to support local bodies in collaborative asset management.

1.4. Releasing the Benefits

The proposal is to develop a bottom-up programme that capitalises upon the local enterprise present in local public bodies and leverage this using the structures already put in place through the Scottish hub initiative, community planning partnerships and local cluster arrangements. The programme involves sharing knowledge across territories and working closely with key partners. This will avoid wasting resources in re-inventing the wheel and help to roll out solutions more quickly for less effort. The recommended programme has three phases:

Phase 1: develop the case for change (completed with this initial review)

Phase 2: test and design a Scotland-wide implementation programme

Phase 3: accelerated roll out based on the experience of the South East territory.

The programme will need to be led locally but with support from an overall programme coordinator. This is a role which SFT, with its pan-public sector capability, is well placed to perform. It is proposed that SFT establishes a Programme Delivery Office as a small centre of expertise with overall programme coordination and benefits monitoring responsibilities, to:

- provide the ‘guiding hand’ for territory partnering boards and public agencies on strategic asset management, shared data, joint working, supplier management and major transactions;
- oversee delivery of phase 2 of the programme, including development of territory improvement programmes, supporting territory partnering boards put in place leading practices and helping to identify and deliver collaborative efficiency opportunities;
- support the management of surplus property disposals through a centre of expertise;
- coordinate major property asset and service procurement programmes.

1.5. Benefits

- **The public** will benefit from more convenient access to multiple public services under one roof and greater choice of alternative access channels, where appropriate, that do not rely on face to face contact.
- **The Scottish Government** will benefit from confidence that a structured approach is being taken to address budget reductions that will help to minimise the impact on front-line services, through using less property more efficiently, leveraging resources, enhancing value, and more service integration across public bodies.
- **Local public bodies** will benefit from collectively releasing cash and carbon savings, both faster and with less resource than if they were doing it alone. They will benefit from a higher stream of recycled capital that potentially could fund change initiatives and upgraded social infrastructure. Community Planning Partnerships and Community Health Partnerships will have resources focused on planning and delivering the estate that will support back office and front-line service integration.

The opportunity also exists to look across to the Scottish Government central estate and this must be embraced. Taking a ‘one public sector estate’ view will enable this to happen. This helicopter view is central to making faster progress on improving public services and making property more efficient and effective. It is strongly recommended that this approach and putting into practice the drive to work collaboratively across public sector organisations should be led from a Ministerial level.

We believe that the Scottish public sector partners should seize this opportunity to use this programme as a vehicle for releasing significant efficiencies, delivering sustainability and providing the joined up facilities that are a vital enabler of excellent local services.

2. Acknowledgements

The Scottish Futures Trust would like to extend its gratitude for the willing support it received in the development of this report to: the authorities and boards of those public bodies in the South East of Scotland, the Scottish Government Health Department, the Scottish Government's Finance Directorate and Property Advice Division, NHS Forth Valley, the Department of Communities and Local Government and the Cabinet Office; and representatives from the Association of Chief Estates Surveyors and the Federation of Property Societies. All those who have been involved in this project have been extremely helpful and collaborative.

3. Introduction

3.1 The Report

This report describes the opportunities and recommendations flowing from the work undertaken by Scottish Futures Trust (SFT) which set out to identify ways to improve the efficiency and effectiveness of property asset management across the public sector in Scotland.

Asset management is important because assets are the second largest cost to the public sector after payroll costs. It can influence both the quality of public services received by Scottish citizens and the money that is available to the frontline. This report presents a range of ways in which property assets can be better managed, utilised and deployed to help raise standards and efficiency across the public sector in Scotland.

Together the initiatives outlined in the report form a programme, which has the potential to reduce significantly the cost of the estate, generate value and support improved public services.

3.2 Terms of Reference

The Independent Budget Review in July 2010 recommended that: *The Panel suggests that the Scottish Government should consider developing the role of the Scottish Futures Trust to establish a centre of expertise in the ownership, management and disposal of public assets. This would operate as a source of independent advice for all public bodies and ensure maximum value for the public purse.* Subsequently Scotland's Budget 2011-2012 stated that SFT will:

- take forward a pilot project through the South East hub territory to assess ways to improve asset management and estate planning across public bodies at a community level; and
- develop proposals by the end of the year for the Scottish Government to deliver enhanced value from centrally held land and property assets.

This report addresses the first of these tasks in assessing ways to improve asset management in the local civil estate. A separate report focuses on the centrally held land and property assets. The objectives of the pilot are to:

- build upon existing good practice in South East territory;
- identify new shared opportunities among participants;
- quantify the 'size of the prize';
- set out potential implementation arrangements and an indicative programme to release benefits;

- stimulate collaborative working and sharing knowledge;
- showcase leading practices.

3.3 Asset Management

Asset management includes the process of optimising the use and management of property assets (land and buildings) with the aim of releasing financial and service benefits. The focus on asset management has increased recently across the country, in recognition that saving money on running buildings allows redeployment of resources to frontline services. For example, it forms a work stream in the Efficient Government programme and its importance is recognised by the Shared Services agenda.

This report draws on learning from other Scotland and UK Government initiatives, including: reports from Audit Scotland and the Improvement Service; the findings from recent similar diagnostic work in NHS Forth Valley; and the Capital and Assets Pathfinders run by the Department of Communities and Local Government (DCLG). More detail on the context for the pilot and this report is set out in Appendix A.

Many future reforms to the delivery of Scottish public services will have property implications. As the recommendations of this report are rolled out it will be important to align actions with the outcomes of policy initiatives, such as the Commission on the Future Delivery of Public Services (Christie Commission), and the reviews of the police and the fire and rescue services.

The Christie Commission highlights the opportunity presented by asset management and supports a more strategic and joined up approach amongst public sector bodies: *“We recommend all relevant public bodies must participate in the preparation of a joint long-term asset management plan under the aegis of each local community planning partnership, based on a shared assessment of the current conditions of their assets”*. The proposals in this report with a bottom-up approach, aligns with this recommendation.

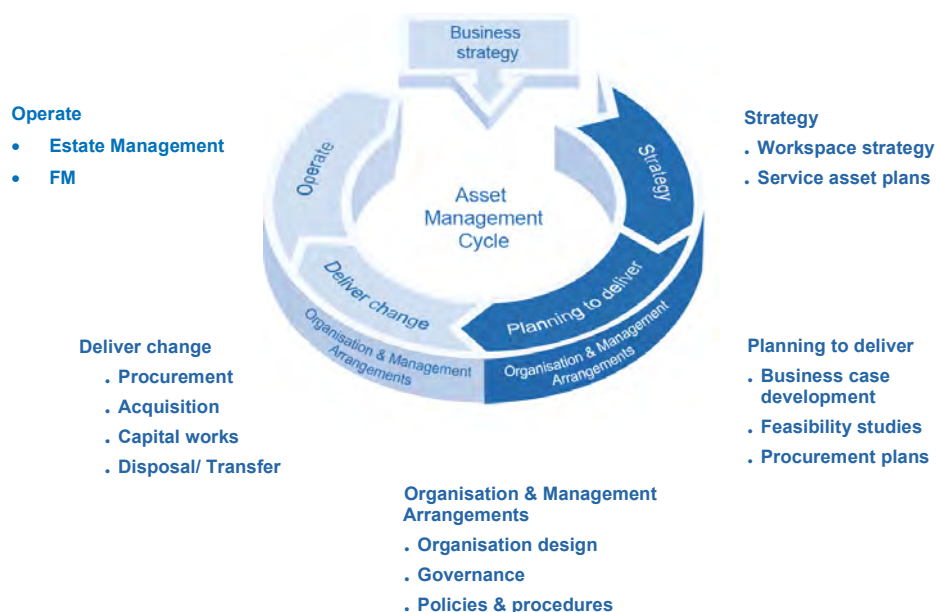
3.4 Scope

The scope of this review covers land and buildings occupied by the NHS, councils and emergency services in the South East hub territory. The buildings in scope are offices, operational properties and non-operational properties including the tenanted non-residential estate. Residential dwellings are excluded from the scope. Definitions of the property types are included in Appendix B.

The scope is wider than physical assets and extends to asset management practices that lead to efficient and effective outcomes. The model of the asset management lifecycle in Figure 1, which was developed on behalf of the National Audit Office, describes the four key process areas to managing property assets. Underlying the four areas are the organisation and management arrangements that enable good asset management outcomes, for example strong governance and corporate policies. The entire asset management lifecycle

including the organisation and management arrangements fall within the scope of this review.

Figure 1: Asset Management Lifecycle



3.5 The Participants

The pilot project has focussed on the South East hub territory. The hub initiative and particularly the territory partnering boards (which comprise senior representatives from each local public body) provide ideal arrangements for moving forward collaborative working on asset management. The South East hub territory was chosen because it has the longest established board and it comprises a reasonably representative set of organisations from urban centres to rural settings.

The organisations which were involved in the review are:

- NHS Lothian
- NHS Borders
- City of Edinburgh Council
- West Lothian Council
- Midlothian Council
- East Lothian Council
- Scottish Borders Council
- Lothian & Borders Police
- Lothian & Borders Fire & Rescue Service
- Scottish Ambulance Service

Public sector organisations in the South East and indeed across Scotland have already made considerable progress on asset management in recent years. However, much of that work is focussed within an individual organisation and, where collaborative, it tends to be ad hoc

rather than part of a structured programme. The pilot project found, as expected, examples of good local and collaborative practice and there are a number of case studies collated in this report. The exercise builds on this good practice and seeks to find ways of breaking down asset management 'silo' working and enhancing and accelerating the progress already underway in some organisations.

The participants' engagement has helped shape a programme of collective activity. While some of this is already in train, there is an enthusiasm to commence the programme in full and sustain the momentum being built.

A wide range of people have been consulted as part of the exercise both from within the South East hub territory and wider, and acknowledgements are provided at the front of the report. The recommendations included in the report reflect these consultations.

3.6 Approach

Property is an expensive resource and the aim for any occupier is to optimise the use of its real estate assets and management resources, in terms of service delivery, community and financial benefit.

High performance in the use and management of property and related services is driven by effective business processes. The most effective processes will deliver better property outcomes and consume less resource. This principle is at the core of the approach to this review.

The review's methodology has involved undertaking an analysis of the 'as-is' situation within each organisation and comparing the current self-assessed performance with leading practice and aspirations (the 'gap analysis').

Furthermore, the gap analysis process, allied with the outputs from a data gathering exercise, has been used to make an initial assessment of the efficiencies that could potentially be delivered. A pre-existing tool used in similar studies in the UK, quantifies the size of the financial opportunity, in terms of the financial benefit from making better use of the asset base and the resources that are consumed in operating the assets.

The review included interviews with each organisation, data collection and a workshop for participants to discuss shared improvement opportunities.

Figures presented in the report are high level estimates based on information provided by participants in the exercise. The information has been analysed by property professionals experienced in public sector asset management. The work has deliberately been kept at a high level, so as part of taking forward any of the initiatives proposed in the report, more detailed information and data analysis will be required.

4. Current Situation

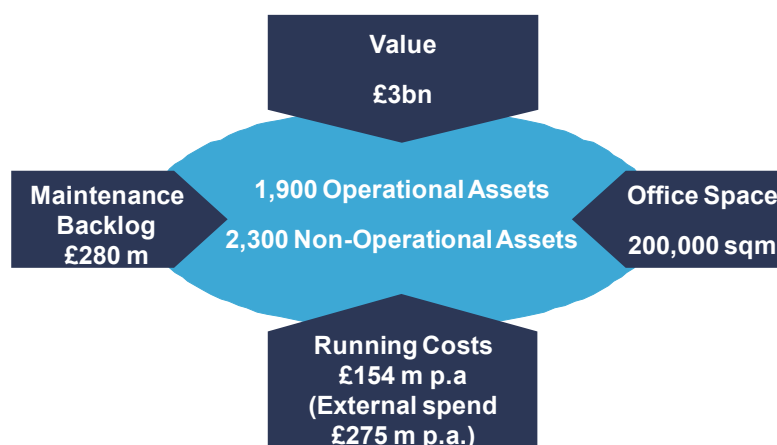
4.1 Overview

The property baseline position in the South East hub territory is described in this section under two principal headings:

- The Estate, set out in section 4.2
- Asset Management and Performance, set out in section 4.3

Property related data captured during March 2011 shows the large scale and value of asset ownership and the associated significant operating costs. It also highlights the potential to reduce duplication and share in the benefits from economies of aggregation. The data¹ is based on returns from eight of the ten organisations in the South East hub territory. The data capture exercise was based on the information available at the time of the request. Some gaps have been completed using extrapolation and comparative data. The quality of the data is sufficient to support the objectives of this review, which are to provide a clear picture of the character and scale of the estate and an estimate of the size and source of potential efficiency opportunities.

Figure 2: Estate Summary Baseline



The definition of building types is at Appendix B. A series of charts analysing the type of asset, ownership and running costs is at Appendix C.

¹ The data excludes housing stock but includes housing offices and, at the time of analysis, excluded East Lothian Council and Lothian Fire and Rescue Service.

4.2 The Estate

4.2.1 Ownership

Overall, the participating authorities own the heritable interests on the majority of the operational buildings within their portfolios. With the exception of training centres, of which 16% are leased, there is a very limited leasehold estate. There are also significant portfolios that are occupied under PFI/PPP contracts, primarily parts of the schools and the health estate.

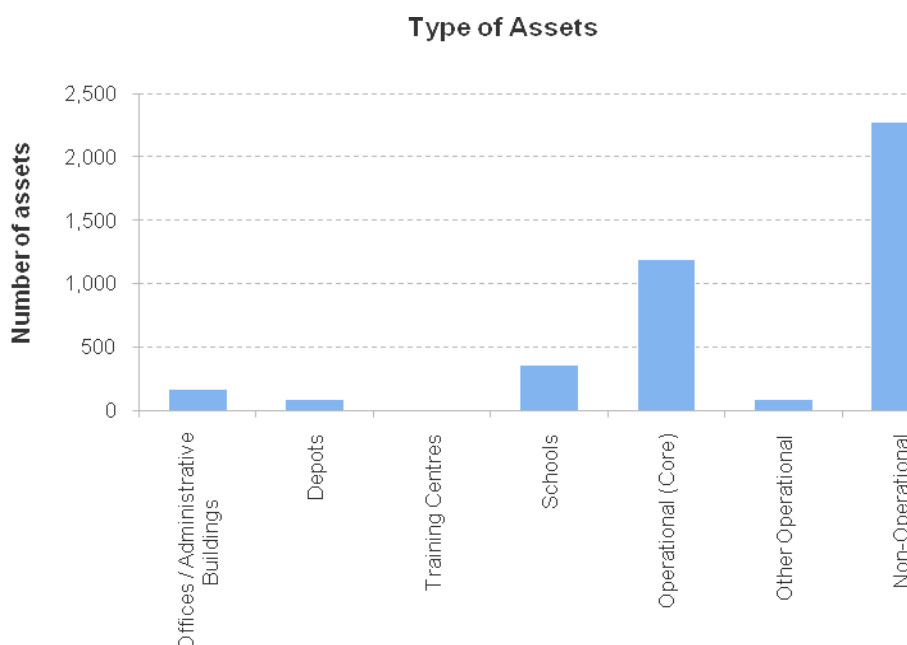
4.2.2 Size of the Portfolio

Of a total of 4,200 assets, 1,900 are operational assets (mostly buildings) supporting service delivery. The 2,300 non operational assets are mainly tenanted non-residential properties, held for financial or economic objectives.

A breakdown of the operational assets owned or occupied by the participating authorities is set out in Chart 1. For example, the total estate includes over 170 office buildings, providing over 200,000m² of administrative workspace and there are 92 depots. Due to the overlapping geography of the local public bodies and the non-specialist use of many facilities, there is a potential opportunity to reduce the number of buildings through challenging service need for floor space and sharing facilities.

Within the total portfolio there are 165 ha of surplus land potentially available for disposal.

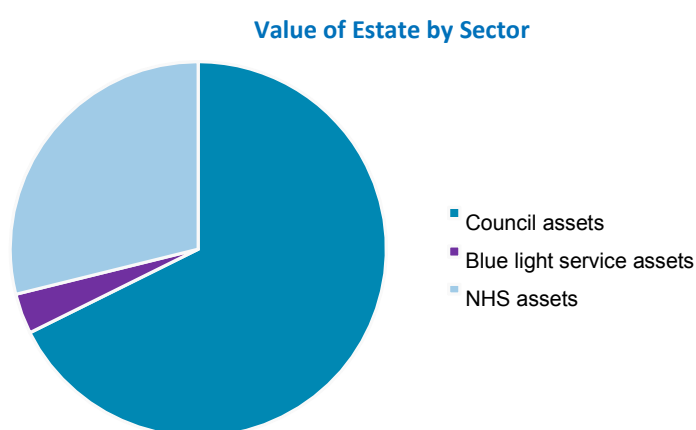
Chart 1: Breakdown of total estate by asset type



4.2.3 Value

Based on the data returns, the net book value of the existing operational estate (excluding housing) is approximately £3 billion. Of this value, 40% is accounted for by the schools portfolio, which is restricted in its operational flexibility. Chart 2 highlights that two-thirds of the total estate value is owned by councils. While the net book value is likely to significantly exceed today's market value², it nevertheless indicates the potential of the existing asset base to fund future investment. The data returns indicate that the non-operational estate has a book value of approximately £90 million.

Chart 2: Value of Estate by Sector



4.2.4 Condition and Maintenance

According to the data returns, backlog maintenance totals approximately £280 million for the operational portfolio, and £55 million for the schools portfolio. Asset rationalisation will help reduce this figure and in planning an approach to rationalisation this consideration should be a significant factor.

4.2.5 Carbon Emissions

Using the Carbon Trust Ready Reckoner it is estimated that the participating authorities' non schools operational portfolio creates 245,000 tonnes of carbon dioxide emissions. This is based on an estimated annual energy spend of £38 million, provided by the participants.

4.2.6 Running Costs

The data provided indicates that the total annual operating cost is £154 million. It is a significant sum and there is likely to be the opportunity for savings from coordinating the management of the assets, leading to less floor space and exploiting economies of aggregation through joint procurement and contracts. This was supported by the questionnaire findings which suggested that there are opportunities to achieve additional benefits through outsourcing, shared services, framework agreements, supply chain management and contract bundling. Edinburgh City Council's Alternative Business Model (ABM) programme, summarised in Figure 3, is an example of a significant step towards addressing this type of opportunity.

² Asset valuation methodologies vary by asset class and do not typically equate to current market value, for example, the schools portfolio value is typically based on depreciated replacement cost (DRC).

Figure 3: City of Edinburgh Council – Alternative Business Model for FM Services

Case Study: - Alternative Business Models for FM Services
City of Edinburgh Council



Summary

- Existing services predominantly in-house.
- Through competitive dialogue pursuing external provision of an integrated service, for all FM services and design services for comparison with in-house public sector comparator.
- Option to include estate and asset management and the management of the investment portfolio.
- 7 to 12 year contract with annual value of £35m.
- Currently in dialogue with two short listed bidders.
- In excess of 1200 staff in scope.
- Part of a larger programme examining alternative business models for Environmental Services and for Corporate and Transactional Services.
- Use of local asset backed vehicle for investment estate and surplus assets also being explored as part of the programme.

4.2.7 External Spend

In the last full financial year the South East organisations spent £275 million on external suppliers, two-thirds of which was accounted for by PPP type contracts and construction. The organisations spent an estimated £30 million per annum on property supplies and technical services from third parties, including approximately £15 million on various facilities management services. Maintenance accounted for £60 million. Over 1,000 suppliers provide property and facilities management services to participating authorities revealing a fragmented supply chain, particularly in facilities management services. This is further evidence of the opportunities for efficiencies from consolidating supply contracts and joint procurement. It also highlights the potential opportunity to share contract management support, for example on PPP type contracts.

4.2.8 The Non-Operational Estate

This includes tenanted, commercial or surplus properties, or land held for economic development. It comprises 2,300 properties, almost all of which are council assets (there are five councils in the pilot area), and generates a gross rental income of £18 million per annum. It has a book value of £90 million and is predominantly managed in-house. The scale of this highlights a potential opportunity for considering a territory wide approach to management of this portfolio. It may be of interest to the private sector market and there are a number of options for public/private sector joint venture type arrangements which can bring added value.

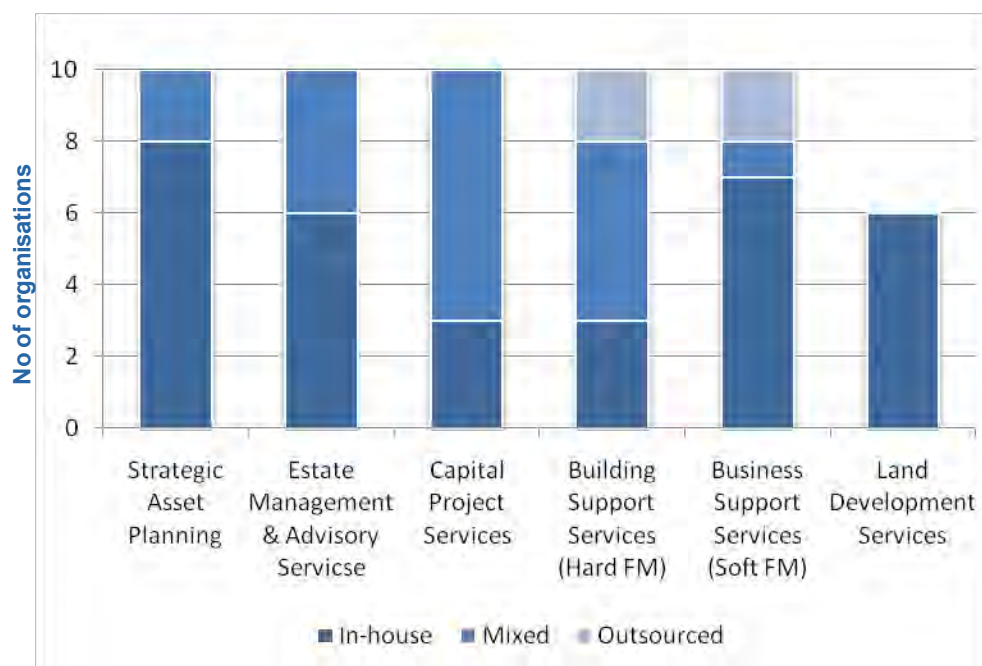
4.3 Asset Management and Performance

4.3.1 Property Management Function

The data showed more than 2,200 full time equivalent (FTE) staff comprise the property and facilities management function across the participating bodies with an annual cost of £55 million. These figures exclude NHS Borders, Lothian and Borders Fire & Rescue Service and East Lothian Council. It also excludes NHS Lothian cleaners. It includes only 220 of Edinburgh City Council’s 1,400 FTEs in property and facilities management because the remainder are included in the Council’s ABM programme. Based on these exclusions the number of internal property and facilities management personnel is estimated to be nearer 5,000. The majority of these staff (80%) performs ‘blue collar’ facilities management activities such as maintenance, cleaning and catering. There is duplication of activity across organisations and the potential opportunity to release savings by standardising, simplifying and sharing.

The overall model of property and facilities management service provision in the South East territory is largely in-house or mixed as set out in Chart 3.

Chart 3: Model of Current Property and FM Service



4.3.2 IT Systems

Participants are using an estimated 150 IT applications to support property and facilities management processes. These applications range from integrated Computer Assisted Facilities Management (CAFM) systems and property management applications within SAP and Oracle, to Excel spreadsheets and Access databases. There is an opportunity for improvement and efficiency from collecting property data once and using the data many times. This would involve procuring integrated management information systems and implementing good data management standards and protocols. There is a potential

opportunity for collective procurement of management information systems. There is a need for a single set of estates data to be available to all organisations to support identification of joint occupation, management and disposal opportunities.

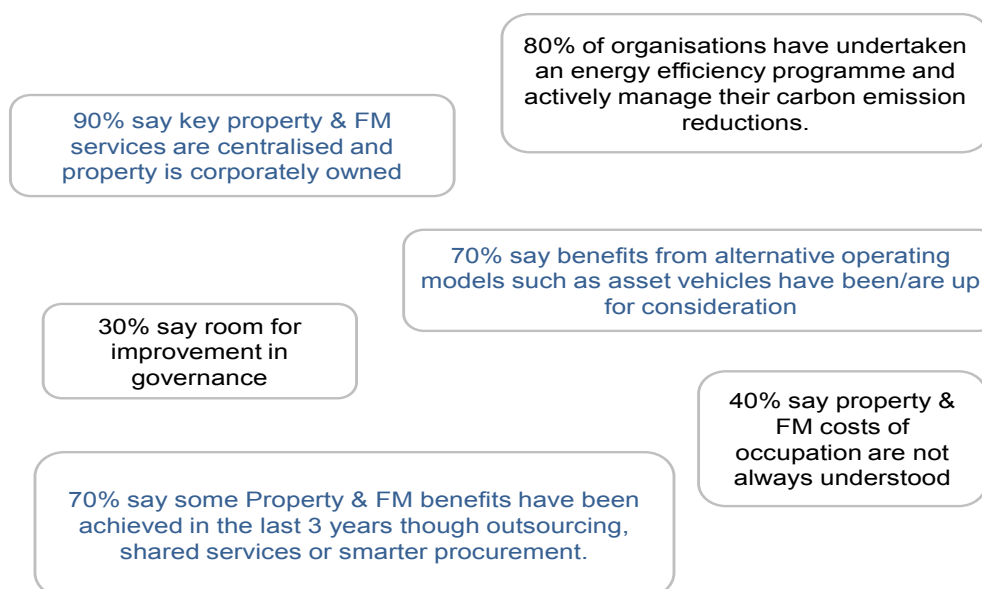
4.3.3 Asset Management Performance

Interviews with key officers and a questionnaire survey provide a picture of the maturity and effectiveness of asset management in the South East hub territory. There are no obvious reasons why the picture should be significantly different across other territories in Scotland. The South East territory includes a mix of urban and rural based organisations.

There is evidence that local public bodies are in the process of developing the good practices promulgated by stakeholders such as audit bodies, Government centres of expertise and professional groups; however, there is considerable scope for improvement.

Some key messages from the survey showing good practices and opportunities are set out below.

Figure 4: Questionnaire Key Findings



There are examples of existing good practice in asset rationalisation and in joint asset planning such as ambulances being based in fire stations. Two case studies: the West Lothian Civic Centre and City of Edinburgh Council Headquarters are shown in Figures 5 and 6. Other case studies are located elsewhere in the report in Figures 7, 8, 9, 10 and 11. The proposals in this report are aimed at building on the examples of good practice and accelerating the pace of change.

Figure 5: West Lothian Civic Centre

Case Study: Co-Location of Services
West Lothian Civic Centre

Summary:

- The Civic Centre is thought to be the largest public sector partnership of its kind in the UK, providing 200,000 sq.ft of accommodation for seven partners.
- Stakeholders are Crown Office and Procurator Fiscal Service, Lothian and Borders Fire and Rescue Service, Lothian and Borders Police, Scottish Children’s Reporter Administration, Scottish Court Service, West Lothian Council and West Lothian Community Health and Care Partnership.



Benefits:

- The cost savings of the joint facilities for West Lothian Council are projected to be around £8 million over a 25 year period based on the lifecycle costs of upgrading and modernising existing Council Buildings. Significant cost savings are also expected from joint working efficiencies.
- The building provides a new civic focus for the people of West Lothian and a modern efficient and flexible working environment for staff.
- The building won the British Council of Offices ‘Corporate Workplace’ award at the recent Scottish Awards ceremony



Figure 6: City of Edinburgh Council Headquarters

Case Study: Rationalisation Programme
Waverley Court, City of Edinburgh Headquarters

Summary:

- Significant office rationalisation programme which culminated in the occupation of a new, purpose designed, office in January 2007.
- The building was an early pathfinder in embedding sustainability into all aspects of the design and procurement process.



Benefits:

- The disposal of more than 20 buildings and sites which were at the end of their operational life, realising over £40m in capital receipts. Many sites have now been refurbished for more appropriate uses regenerating the local economy with private investment.
- The relocation to a new purpose built office was used as a catalyst for change to improve the culture, communication and co-operative styles of the Council.
- The new office has produced increased efficiencies with regard to energy, property costs, and space utilisation.

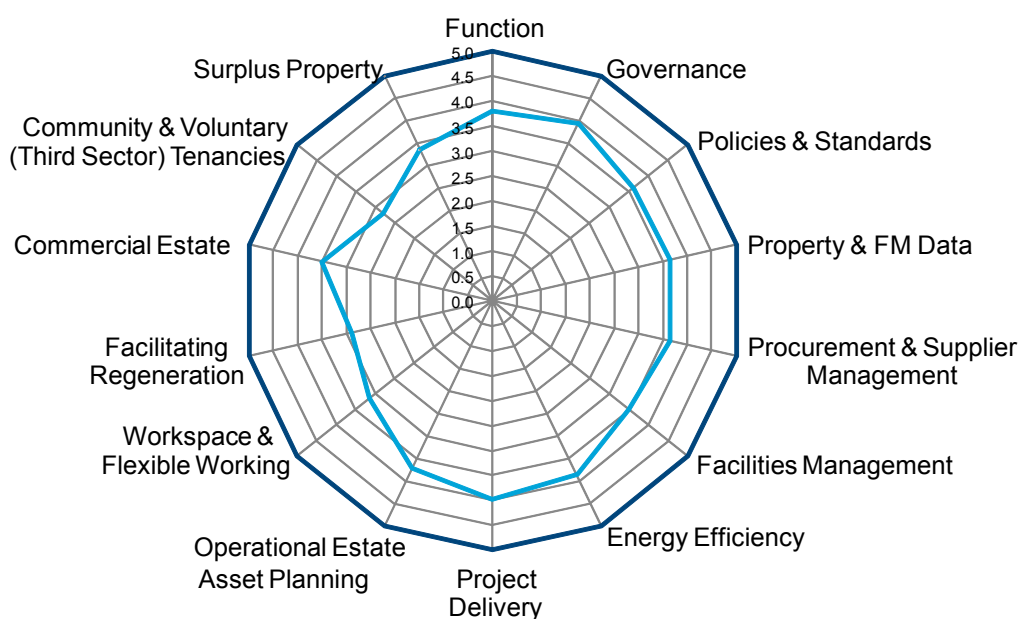


The scope for improvement is illustrated by the gap analysis arrived at by each organisation completing a self-assessment of their current performance against leading practice. The analysis is illustrated in Chart 4 which is an aggregate assessment across the ten South East bodies. The inner line (light blue irregular line) is the aggregate current position and the outer circle (dark blue) represents leading practice (rated as a score of ‘5’). Zero represents an organisation which has no knowledge or skills in the specific practice area.

The results show significant areas for improvement (i.e. the ‘gaps’ between current maturity and leading practice) indicating where resources need to be focused. They inform the level of potential efficiency savings that can be released by moving to leading practice. For

example, there are improvement opportunities in integrating the planning of social infrastructure in the territory and in more efficient procurement and facilities management. Some gaps need addressing in order to enable savings, for example, enforcing corporate policies and procedures. Other gaps are directly associated with potential savings, for example, improving energy management practices and delivering workspace optimisation.

Chart 4: Gap Analysis



The top five opportunities for improvement across the territory (derived from the ‘gap analysis’) are:

- Surplus property – establish a mechanism to highlight surplus space and land to other public authorities prior to disposal.
- Workspace and flexible working – greater co-location and sharing of back office workspace; faster adoption of agile working and desk sharing and greater co-location of physical customer interface services.
- Community & voluntary tenancies - improve transparency of policy and assessment frameworks governing the transfer of assets to the community and voluntary sector.
- Regeneration – greater consideration of asset vehicles that can leverage value from surplus assets and facilitate regeneration.
- Facilities Management – improving the efficiency of facilities management services whether retained in house or outsourced.

5. The Size of the Opportunity

5.1 More from Less

The size of the potential benefit opportunity from delivering ‘more from less property’ is significant. The estimated potential savings are set out below for the South East hub territory and across Scotland.

5.2 South East hub Territory

The total gross benefit opportunity is estimated to lie between £130 million and £280 million over the next 5 years in the South East hub territory alone (see table below). This comprises both potential revenue savings and capital receipts. The estimate is derived from the baseline data (from the eight returns) and the participants’ self-assessment of their maturity in property asset management. Maximum benchmark savings targets have been adjusted to reflect the maturity assessments in key areas of asset management.

The estimates are supported by examples of efficiency gains achieved by some of the South East participants through previous transactions. For example, the City of Edinburgh Council received over £40 million of receipts from sales following the relocation to its new HQ; West Lothian Council recently received a £3.2 million receipt from the sale of a single surplus office site, and NHS Lothian has saved approximately £3.5 million from their office consolidation over the lease period, with significant receipts still to come from the sale of other surplus land; Lothian & Borders Police saved £1 million on outsourcing cleaning and expect to save £0.5 million per year from reduced energy usage.

Table 1: Estimated savings range for South East hub territory local public bodies

Estimated savings range for South East hub territory local public bodies		
	Lower estimate	Higher estimate
Capital (gross receipts)	£90m	£180m
Revenue – 5 years total ³	£40m	£100m
Total	£130m	£280m

The more conservative estimate £130 million is a combination of £90 million in gross capital proceeds and £40 million of aggregate revenue savings over a 5 year period. It is based on each participant’s self-assessment against leading practice in property and facilities management such as staff sharing office workstations and meeting space, a centralised property function and cross-service asset rationalisation plans signed off by service heads and members.

³ The revenue savings build up to £16 million p.a. (lower estimate) and £40 million p.a. (higher estimate) in year 5.

These savings assume that 10% of the non-office operational estate (by area) is released from the portfolio. In some cases this would need reinvestment of some of the capital to relocate core services within a down-sized and 'greener' retained estate. A small proportion of this is assumed to be new efficient public facilities that replace underutilised outdated buildings and accommodate multiple services. The savings are also based on a reduction in office floor space of 18% across the South East hub territory, a 9% reduction in the cost of the internal property management functions and a 3% efficiency saving from smarter procurement of facilities management services.

On top of this, the South East hub territory can potentially reduce its carbon footprint by 21,400 tonnes per annum, as well as avoid the need for so much spending on backlog maintenance. The annual carbon reduction represents 9% of total emissions generated by property occupation and will reduce the revenue commitment some authorities will need to make under the Carbon Reduction Commitment.

Given the natural conservatism in the self-assessment process it can be argued that with a step change in approach to asset management it is possible that greater savings can be achieved. In analysing the data with advice from property professionals a higher target range has been mapped out. If property budgets were reduced by 20% through reducing floor area and property management expenditure, this would yield up to £40 million in annual revenue savings, with cumulative revenue savings building up to £100m over 5 years. A 20% reduction in the non-school operational estate (by area) could yield capital receipts of £180 million in the South East. These figures combine to provide the £280 million higher estimate.

5.3 Across Scotland

Consideration was given on how best to apply the data emerging from the pilot on a Scotland wide basis. Two approaches were undertaken:

- The estimated benefits opportunity in the South East hub territory was benchmarked against a recent exercise in Forth Valley. This indicated that a similar, or potentially even greater, scale of benefit could be achieved.
- With two thirds of the benefit coming from receipts arising from the disposal of property, consideration was given to the differing valuations in property markets across Scotland.

The application of the approaches above led to the broad conclusion that the average benefit across Scotland is likely to be lower than that in the South East. As a working assumption the lower estimate was reduced from £130 million to £100 million. More data on the non-pilot territories will be needed to refine the potential for benefits in each of those areas.

Extrapolation on the basis that there are five hub territories indicates that the potential estimate of benefits across Scotland is at least £500 million of capital and revenue savings from property over a five year period. Some plans are already in place with disposals being looked at and it should be noted that public bodies, in planning their own capital

programmes, may well have already counted in the potential for capital receipts in their future capital plans. Part of this £500 million benefit can be delivered by work within organisations but in order to improve the probability of achieving even this lower estimate a catalyst for change to improve joint asset management will be required.

Moving beyond the lower end of the benefits spectrum will require a much more ambitious plan of action and examination of all areas for joint management and procurement.

Notwithstanding which target is adopted, there is significant potential to improve the planning and operation of social infrastructure in Scotland to squeeze more out of less resource. Reducing local public bodies' dependency on property and shifting service delivery to other channels provides one of the biggest opportunities.

The capacity to achieve significant savings is constrained by the current model for providing local public services. Releasing and accelerating the full savings opportunity requires co-location and shared management and will be assisted by wider transformation of the service model and engagement across organisations. This requires a fresh impetus through leadership, energy and the ability to broker collaboration.

Moreover, the potential benefits are conditional upon public sector organisations embracing three areas:

- adopting leading practice property processes, such as mapping local assets and centralising and sharing property and FM management
- co-location - joint occupation of property to reduce floor space and improve the customer experience; and
- collaborative procurement to access economies of aggregation that lower the cost of running facilities.

Figure 7: NHS Lothian Clinical Accommodation Release

Case Study: Rationalisation Programme NHS Lothian Clinical Accommodation Release Strategy (CARS)

Summary:

- Supports re-provisioning projects by freeing up clinical space and increases bed-space capacity on clinical sites.
- Improves operational corporate efficiency and sustainability and meets Disability Discrimination Act.
- Enables joint / partnership opportunities.
- Releases property for disposal in line with Property & Infrastructure Strategy – from 13 sites to 3.

Benefits:

- Open plan working and more efficient use of floor space.
- Less travel due to use of video and audio conferencing.
- Hot-desking between sites for a more mobile staff ratio of 1 desk per 1.2 staff (now increasing).
- Limited local printing – 5 central printer/copier/scanner points plus bulk copying facility.
- Savings over lease period circa £3.5m.
- Lower running & maintenance costs (est. 30% saving on running costs v. traditional and 50% saving on routine maintenance).

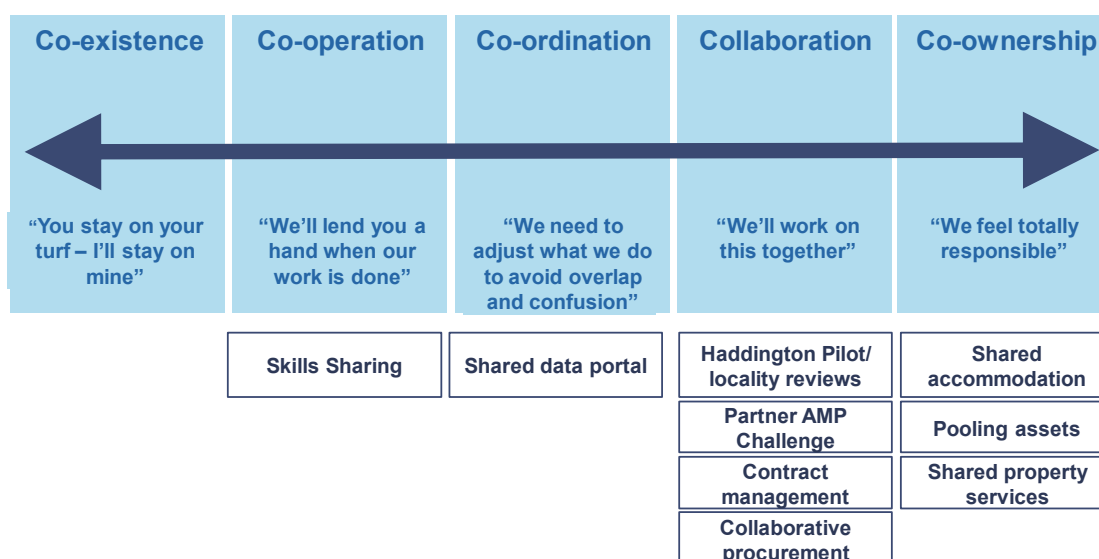


6. Delivering the Benefits

6.1 The Impact of Collaboration

Some organisations but not all are already taking action on making their estate more efficient by reducing footprint and undertaking smarter procurement. Significant further savings can be created by collaborating with others and breaking out of organisational silos.

Chart 5: Types of Collaborative Initiative



Source: Employers’ Organisation Smarter Partnership Website

6.2 South East Opportunities

When the participants met at a joint workshop to exchange information on their local challenges they found they had many opportunities in common and over twenty collaborative opportunities were identified. A prioritised set of joint initiatives were selected by participants to form the initial focus in the South East territory. These are captured in Chart 5 above (white boxes) and range from initiatives focusing upon limited co-operative working on the left hand side of the diagram to those opportunities focused upon collaboration and co-ownership to the right hand side.

The majority of the opportunities reflect the need for a ‘collaborative’ culture and willingness to work together across authority boundaries to deliver the potential benefits. Greater financial and non-financial benefits arise towards the right hand side of the spectrum.

The initiatives will cover a wide range of areas, from sharing people, knowledge and data to specific building related projects. The early priority initiatives selected by the participants are outlined below in sections 6.2.1 to 6.2.8.

The organisations involved in the South East hub territory are committed to build upon the

enthusiasm evident at the workshop and throughout this review. Having already established the South East hub Territory Partnering Board to plan and procure new joint premises, its governance structure is the ideal multi-organisation vehicle for taking forward these priority initiatives and will continue to work on identifying fresh opportunities.

6.2.1 Joint Planning and Shared Accommodation

The creation of a systematic approach to joint planning across organisations will include identifying and delivering shared facilities including depots and workshops, offices, customer contact centres and training centres.

6.2.2 Partner Asset Management Challenge

All participants will invite peer reviews of their asset plans by geographical area to challenge whether the plans comprise an integrated and optimal route for providing wider public services efficiently.

6.2.3 Locality Asset Rationalisation and Co-location Planning

The roll-out of a systematic review by settlement or district of co-location and rationalisation opportunities will lead to new initiatives and implementation plans.

The opportunities for co-location will cover administrative accommodation, touch-down space, front-line facilities and 'support' facilities such as training, workshops and depots.

The approach needs to integrate with the processes already in place through the Community Planning Partnerships and Community Health Partnerships. This work will benefit from independent challenge and brokering. The central civil estate should be included in the mix.

The Scottish Borders is one example of where this type of work has already commenced. Scottish Borders Council is presently undertaking a review of town centres and is likely to consider more projects similar to the Hawick Town Hall redevelopment (see Figure 8). Another example of a locality based project is the joint planning being carried out in Haddington (see 7.2.3).

Figure 8: Hawick Town Hall

Case Study: Co-location of Services & Regeneration
Hawick Town Hall

Summary

- Former District Council Headquarters
- Following centralisation of several services upper floors were mainly vacant
- Following rationalisation of other offices in town decision taken to refurbish upper floors which are now fully occupied

Benefits

- Two offices vacated, one of which will be disposed of and generate capital receipt, the other, as it is part of the Library, will be let on commercial terms
- Revenue savings from closing two offices £34,000 per annum
- Contact Centre on the ground floor acts as reception for Social Work and Environment & Infrastructure staff
- Two social work functions now sharing admin support within the same building
- Renewed life to landmark building
- Assist with town centre regeneration (100+ staff utilising High Street)



6.2.4 Sharing Accommodation

Wester Hailes Healthy Living Centre in Edinburgh will be one of the early significant joint service centres to be delivered through the hub programme and construction should commence on site this year. The aim of the joint planning is to identify more of this type of opportunity. It will build on successful initiatives in West Lothian, East Ayrshire, Grampian, North Lanarkshire, East Renfrewshire and elsewhere around joint service premises. SFT will undertake further work in partnership with East Ayrshire Council to build upon their recent study to develop a benefits evaluation model and benchmarking platform for co-location, as well as unravelling some of the complex interface issues that can exist on these projects.

Figure 9: Wester Hailes Healthy Living Centre, Edinburgh

City of Edinburgh Council: Wester Hailes Healthy Living Centre

Summary

- The City of Edinburgh Council and NHS Lothian are rationalising and modernising their local Wester Hailes estates portfolio

- The new Healthy Living Centre will provide accommodation for a local Medical Practice and aligned Primary Care Services, City of Edinburgh Council staff from the Health and Social Care and Children and Families departments, as well as the community-based Wester Hailes Health Agency.

- This proposal will allow the partners to create a new model of integrated service delivery.

- The planned centre provides 4907sqm of occupied space for an occupancy of 320 local authority, health service and voluntary sector staff.



6.2.5 Sharing People, Management and Contracts

This includes shared contract management, joint procurement of hard and soft facilities management contracts, reducing duplication of consultants, and sharing local property skills and resources. There are two early specific priorities in the South East, as follows:

- **Contract Management**

This involves simplifying, standardising and sharing the management of operational PFI/PPP contracts in the territory, by creating a centre of excellence hosted by a lead organisation. Dedicated contract management will enable the public sector to drive opportunities for better value from PFI/PPP contracts through dedicated teams with expert understanding of each contract, contractor behaviours, client needs and benchmarks. Initial work is already underway with support from SFT.

- **Pooling Expertise**

This is more than providing the forums and portals to share knowledge in specific practice areas such as flexible working, energy management, community asset transfer and common good land. It extends to increasing the trading of specific services and expertise between organisations e.g. Lothian & Borders Police providing expertise on zero waste to landfill, or the City of Edinburgh Council providing expertise on flexible workplace.

6.2.6 Sharing Data

The establishment of a web-based platform will allow each organisation's property assets to be viewed by others. This should incorporate a mapping facility (e.g. GIS). The e-PIMS Lite system offered by the UK Government Property Unit or GPU (Scottish Government already use ePIMS) should be considered as a first step to host the territory's high level data and provide a viewing platform.

6.2.7 Surplus Property

The evidence gathered through this review shows that there are currently 165 ha of surplus land potentially awaiting disposal. A priority initiative will be to create a focus for managing surplus property, moving away from ad hoc disposals to shared disposal strategies, managed as a programme and aligned to achieving synergy. The initiative will benefit from facilitation by a centre of expertise to support:

- the delivery of strategies that manage the release of surplus property at a rate commensurate with the capacity of the market to offer competitive value.
- the identification of sites that offer opportunities to exploit marriage value.
- opportunities to accelerate and/or leverage the value of public sector assets through the use of private sector finance, development expertise and arms-length entities.

A pilot project led by SFT has already commenced.

6.2.8 Pooling Assets

Several organisations are considering whether to set up asset vehicles to manage their surplus assets, non-operational (i.e. commercial assets) or operational assets. These opportunities should at the very least be explored jointly to reduce the overall resource commitment. A more significant opportunity is to pool these assets under collective management in self-directed vehicles.

SFT is presently concluding a parallel study on the range of alternative commercial structures for engaging with the private sector on asset management, the outcome of which will provide a useful resource to support authorities and boards when considering such initiatives. SFT will develop as a centre of expertise in this area and will be able to support public sector authorities in managing the interface with the private sector and in strategic procurements, particularly where they are collaborative ventures and seek to deliver the benefits of aggregation.

6.3 Barriers

No one is under the illusion that accelerating progress will be easy. Consultation and participants' working groups identified potential barriers to asset management improvement and these are summarised in Chart 6.

Chart 6: Barriers to Asset Management Improvement

- Undeveloped or unaligned plans
- A lack of strategic visions and data
- Shortage of “invest to save” funding
- Low property values
- Resistance to culture and service change
- IT systems incompatible
- Risk sharing on surplus land
- Planning regime blocking sale of surplus land
- Rural areas have limited scope for property sharing
- How to share equitably between organisations the rationalisation benefits
- NHS receipts are taken out of locality and are currently not recycled locally
- The political perception of selling local assets

These barriers will need to be overcome or at least mitigated if Scotland is to achieve the dual prize of releasing significant efficiencies and improvement in an accelerated time period. There is no one way in which these barriers can be collectively dismantled. Rather they will be reduced through a combination of approaches including:

- the collaborative initiatives prioritised by the South East participants;
- representation to Scottish Government, including on NHS capital receipts, and risk sharing on surplus land;
- making benefits realisation and thereby barrier reduction the responsibility of proposed future asset management programme boards operating at territory and national level.

What is important is that barrier reduction does not become the end game and that the focus is firmly on delivering benefits.

7. Enabling the Benefits - A Structured Programme Approach

7.1 A National Programme Approach that is “bottom-up”

There have been numerous top-down initiatives around the local public asset agenda, which have produced measured progress. However, given the fiscal challenges faced by the Scottish public sector, it is time to accelerate significant improvement through a programme-led approach.

The real practical initiatives identified to date will, together, unlock considerable savings and capital receipts for local public bodies in Scotland. Furthermore, the changes will facilitate more joined-up public service delivery and support the wider transformational change agenda. The challenge now is to implement cost effectively in a structured way the programme of activities identified, as well as continue to germinate the pipeline of fresh initiatives necessary to realise the full opportunity.

The critical ingredient to success is to develop a bottom-up programme that capitalises upon the real local enterprise present in local public bodies and leverage this using the structures already being put in place through the Scottish hub initiative and local cluster arrangements. The programme involves sharing knowledge across territories and working closely with key partners. This will avoid wasting resources in re-inventing the wheel and help to roll out solutions more quickly for less effort.

The proposals being generated directly link to and are aligned to the:

- Scottish Government’s Policy for Property and Asset Management in NHS Scotland
- Audit Scotland’s Improving Public Sector Efficiency – Audit Scotland, February 2010
- Asset Management in Local Government – Audit Scotland, May 2009
- Asset Management in the NHS in Scotland – Audit Scotland, January 2009

Separately, the programme will need to take cognisance of and support the implementation of:

- Commission on the Future Delivery of Public Services (Christie Commission)
- Independent Budget Review
- National Police and Fire Service reviews

7.1.1 Recommended Programme

The recommended programme has three phases:

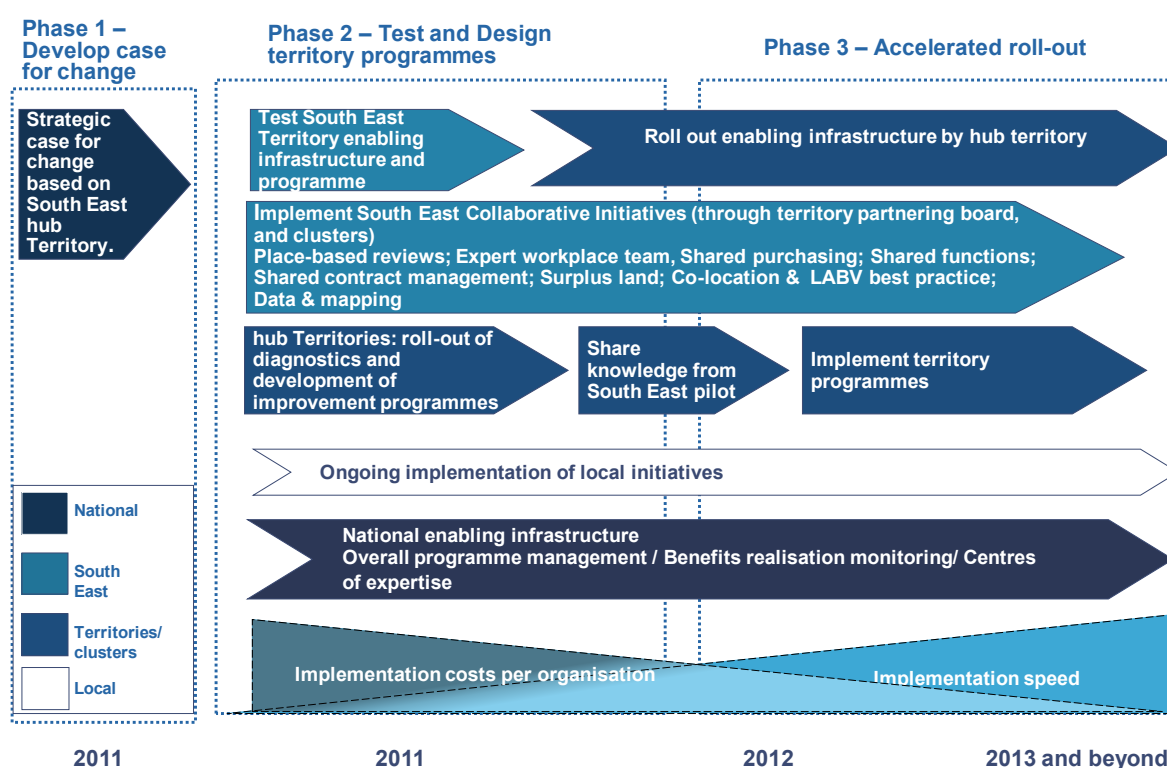
Phase 1: Develop a case for change using the South East hub territory as a pilot (now complete).

Phase 2: Test and design territory improvement programmes, Scotland-wide.

Phase 3: Accelerated roll-out of benefits.

A summary of the programme is shown in Chart 7.

Chart 7: Recommended Programme



7.2 Operational Levels

The programme reflects that asset management improvement initiatives in Scotland need to be driven at a variety of levels. The responsibilities at each level are outlined below.

7.2.1 National

Overall programme coordination and benefits monitoring, a ‘guiding hand’, develop design concepts for new pathways and vehicles, performance benchmarking, knowledge dissemination and promotion of leading practice (e.g. contract management, agile working, delivery partnerships, energy management) and lead barrier ‘busting’.

7.2.2 Territory

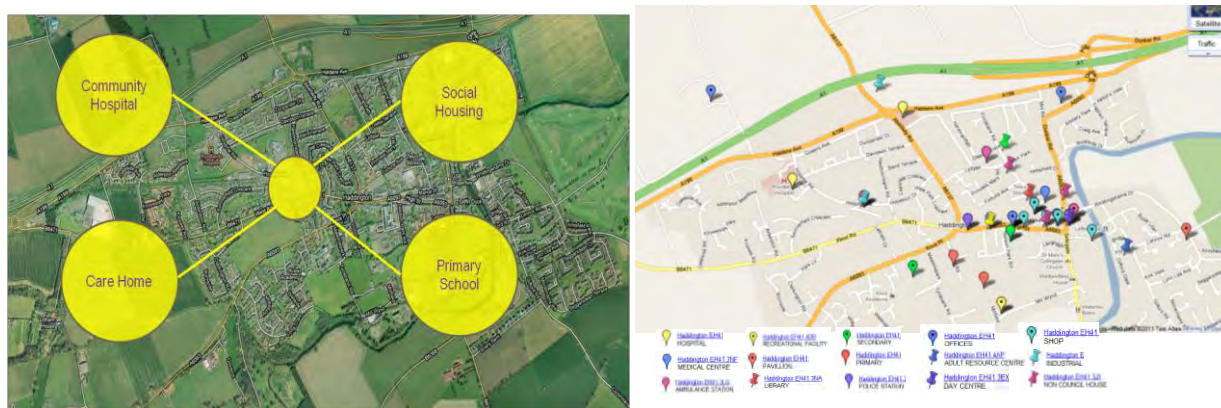
Data mapping, prioritised territory efficiency programme, a unified approach to locality asset optimisation, facilitating aggregated purchasing and providing the ‘management fabric’ to co-ordinate interactions and encourage ‘coalitions of the willing’ to deliver the territory-wide programme and conceive fresh initiatives.

7.2.3 Clusters

‘Coalitions of the willing’ that deliver single estate reviews by geographical area or theme (e.g. depots) and identify fresh initiatives, for example, around an integrated front office and workspace sharing. Pursue shared property management and aggregated purchasing initiatives, where appropriate. Undertake ‘challenge’ of asset plans.

An example of a cluster initiative is in Haddington situated within the South East pilot project area. This will aim to identify fresh opportunities in Haddington to provide integrated solutions for the settlement, including addressing health, social care, housing and education needs. The challenge is to use existing assets as the catalyst for change and for financial leverage, to help accommodate modern, integrated services that use less resource and carbon. Haddington will be used to pilot a unified approach to creating locality-based service and estate plans that use asset mapping (see the chart below), customer profiling, urban planning and place-making expertise to find solutions that address local needs.

Chart 8: Haddington Local Public Assets



7.2.4 Local

Ongoing implementation of local initiatives e.g. implementing desk sharing, strong corporate policies, local data management and service asset rationalisation.

As the programme develops, the vision is for a ‘develop it once, use many times’ approach to be adopted which will help accelerate improvement and drive down implementation costs per organisation. Lead ‘demonstrator’ territories and authorities need to be supported to produce blueprints on specific practice areas and initiatives, which can be adopted and rolled-out more quickly and for less cost, than if a singular local approach was taken by stand-alone organisations.

7.3 Framework for Delivery

The Scottish Futures Trust, having demonstrated its pan public sector capability in leading the deployment of the programmes such as hub and the National Housing Trust, is in an ideal position to manage this national bottom-up programme. The approach will use the existing hub governance structures and leverage the considerable local knowledge, skills and appetite for change. The role involves:

- assembling a Programme Delivery Office and small centre of expertise with overall programme coordination and benefits monitoring responsibilities;
- providing the ‘guiding hand’ for territory partnering boards and public agencies on strategic asset management, shared data, joint working, supplier management and major transactions;
- overseeing delivery of phase 2 of the programme, including development of territory improvement programmes, supporting territory partnering boards put in place leading practices and helping to identify and deliver collaborative efficiency opportunities;
- supporting the management of surplus property disposals through a centre of expertise;
- coordinating major property asset and service procurement programmes;
- reporting and monitoring on behalf of Scottish Government on asset performance and the delivery of the asset management agenda.

This will require a relatively small team of specialists within SFT to work with public sector partners. Delivery of the projects would be led by the public sector partners.

Figure 10: County Buildings, Peebles

Case Study: Co-Location of Services
County Buildings, Peebles

Summary:

- Former District Council Headquarters now used by Social Work and Environment & Infrastructure staff.
- Vacant space has been let to Scottish Courts Service, Lothian & Borders Fire & Rescue Service, Lothian & Borders Community Justice.
- Hot desk facility for Scottish Office staff.

Benefits:

- Building is fully occupied with a rental income of £25,000 per annum to offset against revenue costs of £80,000 per annum.
- Befitting use of landmark building.



Figure 11: Lasswade Case Study

Case Study: Rationalisation Programme
Lasswade High School & Community Facilities, Midlothian Council

Summary:

- Midlothian Council is working in partnership with East Renfrewshire Council on replacing two High Schools comprising five old, high maintenance buildings.
- The single state of the art building will provide a hub for learning, leisure and recreation for both pupils and the local community.



Benefits:

- The new building has an area 17% smaller than the combined closing ones but with better facilities that will be occupied for more of the time, resulting in significant savings in operating costs.
- The new building will create a real Community Hub operating from 7am – 10pm, providing facilities for all ages in one location.
- The joint approach to will save on professional fees and construction costs.

7.4 Benefits

The benefits arising from this programme are wide-ranging:

- **The public** will benefit from more convenient access to multiple public services under one roof and greater choice of alternative access channels, where appropriate, that do not rely on face to face contact.
- **The Scottish Government** will benefit from confidence that a structured approach is being taken to address budget reductions that will help to minimise the impact on front-line services, through using less property more efficiently, leveraging resources, enhancing value, and more service integration across public bodies.
- **Local public bodies** will benefit from collectively releasing cash and carbon savings, both faster and with less resource than if they were doing it alone. They will benefit from a higher stream of recycled capital to fund change initiatives and upgraded social infrastructure. Community Planning Partnerships and Community Health Partnerships will have resources focused on planning and delivering the estate that will support back office and front-line service integration.

Appendices

Appendix A – Context

1. Introduction

The focus on asset management has increased recently across the country, in recognition that saving money on occupying buildings can potentially mitigate cuts to staff and services. There is also an increasing recognition that property assets are a strategic resource and that they can enable improvements in service provision. This report draws on learning from other Scotland and UK Government initiatives, as well as private sector experience.

Some recent initiatives, studies and reports undertaken in the public sector help to set the scene for the exercise as well as providing a useful reference source, and these are introduced below.

2. The Independent Budget Review, July 2010

The Independent Budget Review (IBR) panel, which was established in early 2010, to inform public and Parliamentary debate ahead of the next UK Spending Review (SR2010), reported in July 2010 on their view of the key challenges and choices that will exist in a significantly constrained public spending environment. In their report, the panel identified **asset management** as a key area for focus.

The report says:

“After payroll costs, the largest outlay for the public sector is the amount spent on the acquisition and upkeep of physical assets. The public sector in Scotland is responsible for a large portfolio of assets, much of it in the form of buildings and other public infrastructure.

Effective asset planning and management helps public bodies to improve their financial and delivery performance by concentrating their use and maintenance of assets. Poor asset management leads to higher running costs, longer maintenance arrears, reduced market values and shorter asset lives – all of which represent an unnecessary and preventable drain on resources.

These themes are being addressed across the public sector; see, for example, the Scottish Government’s Asset Management Review and Audit Scotland’s Asset Management in Local Government. Asset management is one of the key work streams in the Efficient Government programme and also features strongly in the shared services agenda. Successful shared services should help to streamline the use of property through co-location and the development of other joint facilities such as municipal waste centres. Reductions in the public sector headcount may also reduce the demand for property.

The most recent Efficient Government outturn report, which relates to 2008-09, records asset management savings of £82 million, or almost 10 per cent of the total for cash releasing efficiency gains in that year.

The Panel was unable to get a comprehensive picture of the stock of surplus assets across

the public sector, but believes that asset disposals can make a useful contribution to bridging the gap in the public sector's capital resources. In order to maximise returns, and not disrupt service delivery, asset sales need to be carefully planned and thought through.

The Panel can see advantages in pooling property market specialism's within a centre of expertise that would operate advice services for public bodies that are seeking to dispose of surplus assets".

The Panel suggests that the Scottish Government should consider developing the role of the Scottish Futures Trust to establish a centre of expertise in the ownership, management and disposal of public assets. This would operate as a source of independent advice for all public bodies and ensure maximum value for the public purse."

3. The Scottish Budget 2011-2012

In his report, *Scotland's Spending Plans and Draft Scottish Budget 2011-2012*, which was approved by Parliament in February 2011, the Cabinet Secretary for Finance and Sustainable Growth welcomed the recommendations of the Independent Budget Review panel and invited the Scottish Futures Trust to develop a work programme in a number of key areas, including:

'Identifying a number of ways in which it can drive further value from effective asset management. By the end of 2010-2011 the SFT will take forward a pilot project through the South East hub Territory to assess way to improve asset management and estate planning across public bodies at a community level. It will also develop proposals by the end of the year for the Scottish Government to deliver enhanced value from centrally held land and property assets.'

4. Audit Scotland Reports

Work by Audit Scotland on asset management in 2008 and 2009 was reported in two published documents: - ***Asset Management in the NHS in Scotland (January 2009)*** and ***Asset Management in Local Government (May 2009)***. This work highlighted a number of areas where improvements could be made and provides a very useful reference for the current exercise by SFT. The reports recognise that good asset management can contribute to high quality services. In the period since these reviews, the NHS in Scotland (which is a significant player with property assets worth over £5bn) and some Local Authorities have been making significant strides forward in asset management practice.

5. Improvement Service Report

The Improvement Service in their report: ***Property Asset Management in Scotland's Councils (March 2008)*** also raise some very interesting findings and set out a number of recommendations again providing a useful source.

6. Building Better Schools: Investing in Scotland's Future

For some Local Authorities, school buildings can account for at least forty percent of their total property assets. The management of the schools estate across Scotland is therefore a

key component. However, it is widely recognised that when taking a strategic view of public sector property the schools estate should not be considered in isolation. There is a significant trend towards getting more from these assets, beyond just the education of children. ***Building Better Schools: Investing in Scotland's Future 2009*** (the Scottish Government's schools estate strategy) recognises these aims when it states that '*the availability and accessibility of school buildings and facilities for community use - be it educational, recreational, sporting, cultural, social, or other - are equally important one of the main aims of this strategy is to consolidate and accelerate this trend*'. The strategy sets out nine guiding principles/objectives for future planning and action.

The current schools investment programme - the ***Scotland's Schools for the Future*** programme, which is being managed by SFT, plans to replace 55 schools across Scotland. The projected level of new investment, to be shared between Scottish Government and Local Authorities, is c £1.25bn, over the next five to six years.

7. Work Undertaken by Other UK Bodies

The UK Government has been very active in developing and now implementing a number of initiatives in asset management.

Presently, there is a lot of work being undertaken within central government to move forward an agenda that supports the government's efficiency programme for central operations, and also locally through the Capital & Asset Pathfinders, which is supporting improvements in the delivery of local public services. SFT has engaged with the relevant departments in London to help inform the current exercise.

There is an increasing pace emerging, within UK government circles, towards embracing the concept of a 'one public sector estate'. Taking such a wider corporate approach which requires a helicopter view of the total public sector estate allows a much broader and more comprehensive understanding of the opportunities available for improving efficiency and effectiveness.

Appendix B - Definitions of Building Types

Definitions of building types	
Offices/Administrative Buildings – Councils	<p>The scope of the exercise extends to all administration and front line service staff requiring office/workstation facilities. It includes all major office accommodation occupied by departments, and physical points for accessing services.</p> <p>Include: All buildings that provide office workspace for staff and customer contact points (e.g. First Stop Shops, One Stop Shops, Neighbourhood Offices) subject to the exclusion below.</p> <p>Exclude: Offices attached to direct/indirect service establishments where the majority of staff who occupy the offices are integral to running the service establishment e.g. libraries, schools, depots.</p>
Offices/Administrative Buildings – Other Bodies e.g. Police, Fire and Health	<ul style="list-style-type: none"> • HQ offices • Police stations inc Command Area stations/Basic Command Units • Other support premises
Depots	<ul style="list-style-type: none"> • Highways • Vehicle fleet • Environmental Health • Storage
Training Centres	<ul style="list-style-type: none"> • Front-line staff, managerial and administrative staff training centres • Venues for team events
Schools	<ul style="list-style-type: none"> • Nursery schools • Primary schools • Secondary schools • Special schools and Pupil Referral Units
Council Operational	<ul style="list-style-type: none"> • Cemeteries and crematoria • Community buildings • Education non-schools (e.g. youth centres, residential education centres) • Information Centres • Libraries • Car parks • Museums, Theatres, Galleries • Park buildings

Definitions of building types	
	<ul style="list-style-type: none"> • Public conveniences • Residential homes • Day centres • Sports Centres and Pools, including sports pavilions and changing facilities • Children's Centres • Miscellaneous
NHS Operational	<ul style="list-style-type: none"> • Day/health centres • Acute services • Non-acute services • Houses/flats • Other
Police Operational	<ul style="list-style-type: none"> • Custody centres/police investigation centres • Patrol bases • Other specialist facilities
Fire & Rescue Operational	<ul style="list-style-type: none"> • Whole time fire stations • Retained fire stations
Ambulance Operational	<ul style="list-style-type: none"> • Operational Ambulance Stations (A&E and PTS) • Emergency Medical Dispatch Centres • Operational Workshops • Special Operations Response Team Bases • Air Ambulance Bases
Other Operational	<ul style="list-style-type: none"> • Other specialist facilities • Miscellaneous
Non-Operational	<ul style="list-style-type: none"> • Tenanted non-residential • Retail • Commercial • Industrial • Agricultural • Community and voluntary sector tenancies • Land held for economic development • Surplus property • Miscellaneous
Net Useable Area	<p>Include:</p> <ol style="list-style-type: none"> 1. Workspace: Individual workspace (offices and open plan) including local circulation and personal storage 2. Ancillary space: Group storage, equipment such as

Definitions of building types

	<p>printer, fax, etc to support a particular working group</p> <p>3. Support space: Facilities for the whole building such as restaurant, meeting rooms, library, reception</p> <p>Exclude:</p> <p>4. Core areas: Corridors and main movement areas</p> <p>5. Primary circulation: Stairs, lobbies, lifts and entrances</p>
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Appendix C - Key Data Findings

The data was provided eight public bodies in the South East of Scotland.

Chart 1: Breakdown of Estate by Asset Type

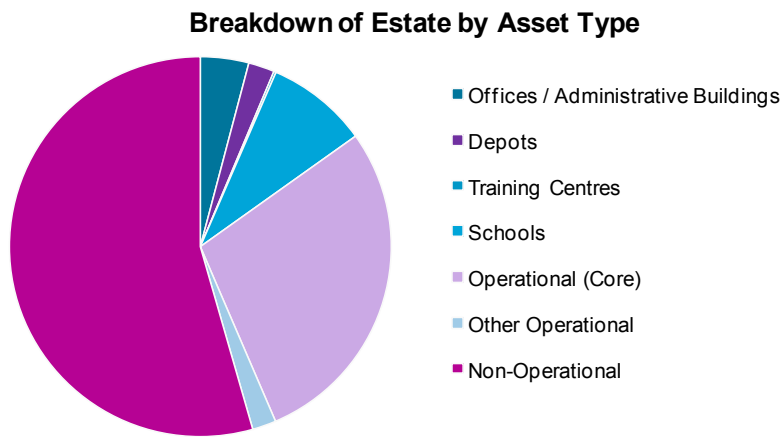


Chart 2: Breakdown of Estate by Sector

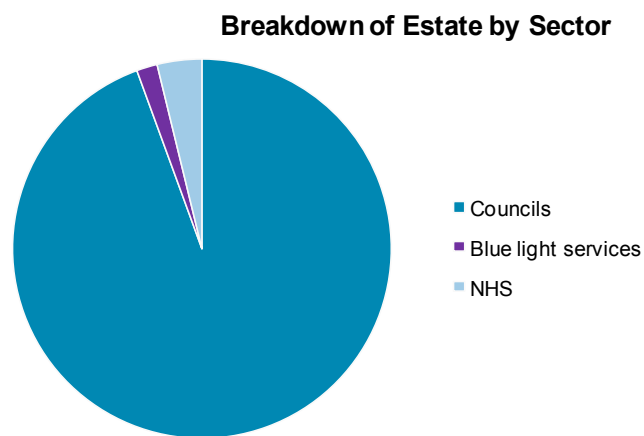


Chart 3: Value of Estate by Asset Type

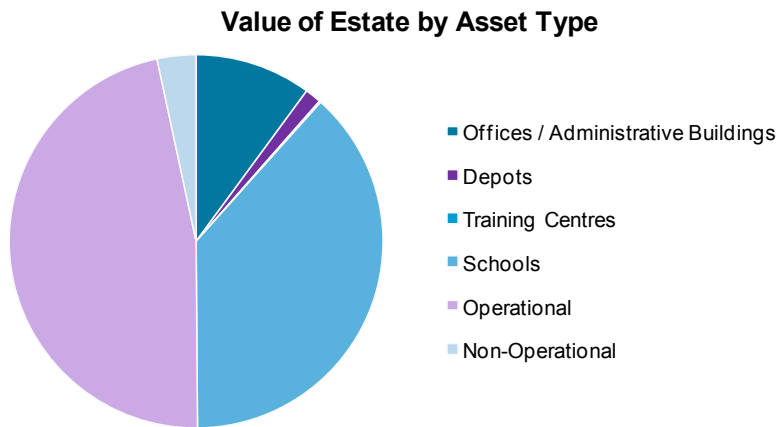


Chart 4: Value of Estate by Sector

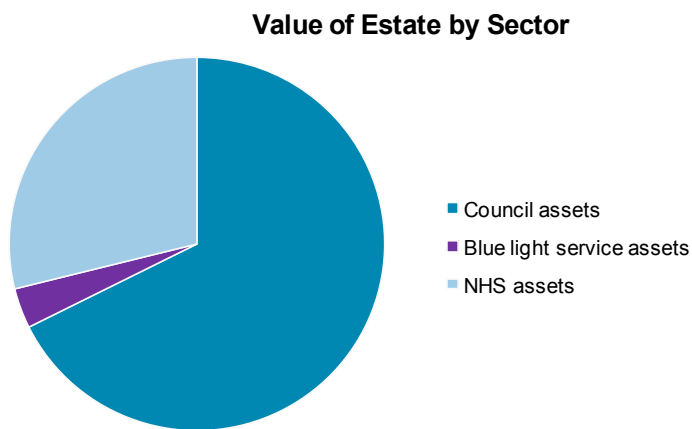


Chart 5: Annual Total Running Costs by Sector

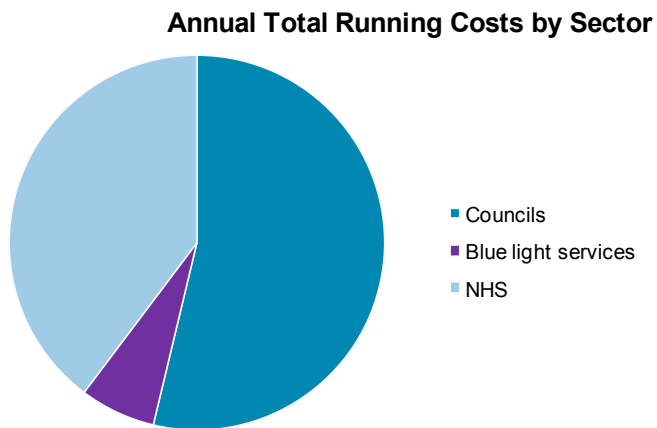


Chart 6: Annual Energy Costs by Sector

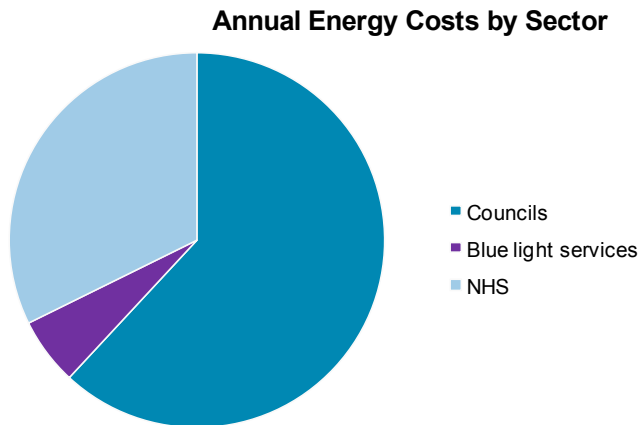


Chart 7: Breakdown of total annual spend

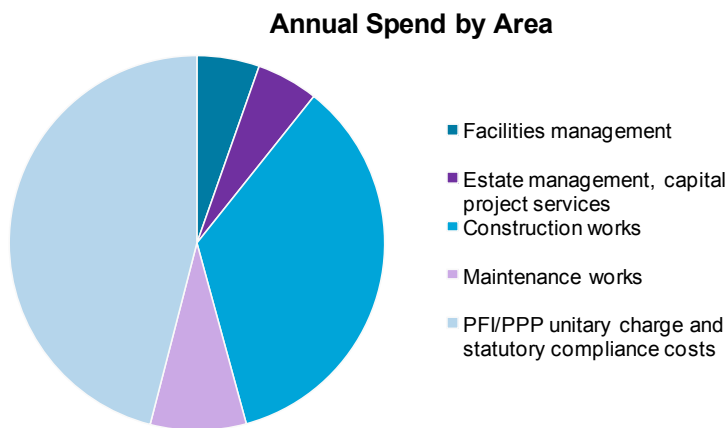


Chart 8: Breakdown of internal activity spend by service type

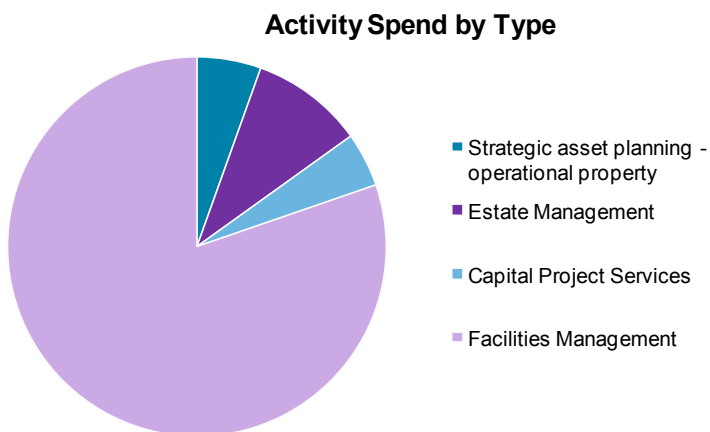


Chart 9: Number of directly employed FTEs by sector

