

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee

28 November 2018

CORPORATE PROPERTY ASSET MANAGEMENT TRANSFORMATION PROGRAMME

Report by Executive Director (Housing and Environment) (Report No. 18/387)

PURPOSE OF REPORT

The purpose of this report is to seek approval for the over-arching principles and methodology in respect of the Corporate Property Asset Management Transformation Programme, to provide an overview of the delivery plan for the programme.

1. BACKGROUND / MAIN ISSUES

- 1.1 Property Asset Management is the process which aligns business and property asset strategies, ensuring the optimisation of an organisation's property assets in a way which best supports its key business goals and objectives.
- 1.2 Asset Management is widely recognised by the UK and Scottish Governments, property professionals and public bodies as vital to optimising the use and management of properties, with the aim of releasing financial and service benefits.
- 1.3 Property asset management is an increasingly important part of the national agenda. For example, the Commission into the Future Delivery of Public Services (the 'Christie Commission') ([link](#)) of 2011 directed organisations towards the establishment of one public property estate. The Scottish Futures Trust ([link](#)) was established to assist in delivering this principle. In addition, recent Best Value Assurance reports such as Glasgow City (August 2018) ([link](#)) and Fife Council (May 2018) ([link](#)) have highlighted aspects of good practice in property asset management.
- 1.4 These highlight the requirement for a strategic approach to property asset management. This transformation project will deliver this through a robust Perth and Kinross wide, rather than a localised, or service based, assessment of the property estate.
- 1.5 In line with the principles of a one public property estate, this strategic approach will look to maximise the opportunities afforded by more integrated service delivery between the Council and Community Planning partners. As such, work will continue with the Scottish Futures Trust and ongoing engagement with NHS Tayside, Police Scotland and Scottish Fire and Rescue Service, along with Perth & Kinross Association of Voluntary Service (PKAVS).

- 1.6 To achieve the Council's strategic objectives and future service needs, the approach will require a combination of investment and disinvestment in the property estate, linking to the Council's 10 year Capital Investment Programme.
- 1.7 Perth and Kinross Council aims to become a sector leader in the adoption and application of digital technology through maximising its use in the delivery of services. Maximising the use of digital technology will increase the opportunities for home based and mobile working and will support the reduction to a smaller property estate.
- 1.8 Perth & Kinross Council has an extensive and diverse property estate spread over a large geographical area. Most of the property portfolio involves direct provision of public services for which the Council has a statutory or discretionary responsibility.
- 1.9 Perth and Kinross Council has demonstrated an effective track record in property rationalisation, having recognised the benefits of improved service delivery with reduced costs through two earlier property asset management projects: Service Needs and Property Issues (SNAPI) and the Perth Office Programme (POP).
- 1.10 The Strategic Policy and Resources Committee in September 2010 (Report No. 10/485 refers) approved the principles of SNAPI and how these would be applied to the property estates in Aberfeldy, Auchterarder, Blairgowrie, Crieff and Kinross. In summary, SNAPI involved establishing the service delivery needs in those areas and rationalising the property estate in the most cost effective way to meet these.
- 1.11 Since 2010, significant work has been undertaken to implement SNAPI. The project has been challenging and a number of important lessons have been learned, most notably:
 - the need for a consistent corporate approach
 - the importance of clear and factual communications
 - the need for early and ongoing communications with affected communities and PKC staff.

- 1.12 Through utilising the SNAPI principles, the following properties have been removed from the operational estate since 2010, reducing the overall estate annual running costs by £360k:

Settlement	Property	Current Status
Aberfeldy	Lawers View Cottage	Sold by auction
	Aberfeldy Roads Office (retained part of depot)	Property sold
	Craignair	Sold
	Crieff Road Store	Sold along with Library
	Aberfeldy Town Hall	Sold
	PC Burnside	Surplus – Operational
	Aberfeldy Recreation Centre	Demolished as part of Breadalbane Community Campus Development
	LSO Depot (Aberfeldy)	Surplus. Demolished
	Offices & Registrars, Library	Sold
	House (Wellbank)	Sold
	Donnachie House	The property has been sold and is now a private dwelling
Auchterarder	Depot	Sold at auction
Blairgowrie	Hill Primary School	Sold for private housing
	Rowanbank Community Learning Centre	Sold for private housing
	St Stephens Primary School	Site was relinquished
	Hill Primary School Nursery Annexe (Rowanbank)	Sold for private housing
	Kinloch Schoolhouse	Sold
	Balmoral Road, Rattray	Being converted into Council housing
Crieff	Crieff Primary School	Vacant property
	Crieff Community Learning Centre	Sold to Strathearn Artspace
	Strathearn Recreation Centre	Part of Strathearn Community Campus
	Library	Sold to Strathearn Artspace
Kinross	Kinross High School	Sold for private housing
	Kinross Town Hall/Offices/Library	Sold for private housing
	County Buildings (inc. Former Library)	Sold
	Sub Depot Store	Vacant property on HRA
	Swansacre C.P.O.	Sold
	Offices, Mill Street	Site now a car park

- 1.13 The principles of the Perth Office Programme (POP) were detailed in the Report to Council 19 December 2012 (Report No.12/597 refers). Subsequent updates on the Programme were provided to the Strategic Policy and Resources committee of October 2014 (as a private paper) and November 2015 (Report No.15/536 refers).

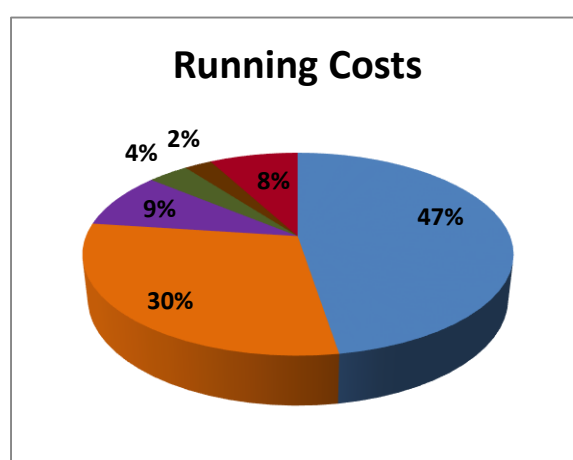
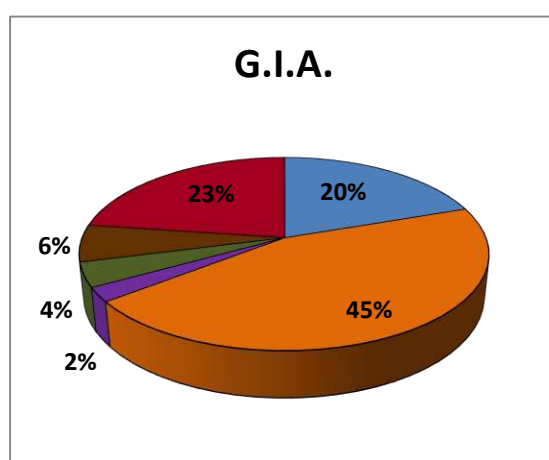
- 1.14 In summary, POP involved the reduction of the Council's Perth office estate from seven main offices to three, consolidating front line service delivery in 2 High Street, Pullar House and Carpenter House and delivering annual recurring savings of £500k. The high level details of POP are summarised below:

Property	Tenure	Annual Running Costs (£,000)
2 High Street	Owned	
Pullar House	PFI	
Carpenter House	Owned	
The Atrium	Leased	360
Whitefriars	Leased	180
Blackfriars	Leased	372
Riverside House	Leased	90

- 1.15 The programme was highly complex, affecting the Council's activities and directly impacting on the public, elected members and staff. Key in all aspects of its delivery was the need for a clear and consistent approach to the programme's rationale and implementation, the communication of this to all relevant stakeholders at key points of the programme delivery. In addition to the cost savings, POP has achieved efficiencies in time and quality of output through staff and resources being co-located.
- 1.16 Between 2012 and 2016, POP delivered on all its targets. The update report on the Perth Office Programme approved by the Strategic Policy and Resources Committee of November 2015 (Report No.15/536 refers) confirmed the allocation of savings from POP to the Corporate Property Asset Management Transformation programme.
- 1.17 Key to the success of both programmes has included officers working closely with elected members and our customers to ensure services continue to be provided through the most cost effective property estate. As a result, the Council has recognised that a more cost effective property estate presents opportunities for savings which would mitigate service delivery savings and staffing reductions.
- 1.18 The Council approved the Corporate Property Asset Management Transformation Programme to undertake a review of the non-domestic operational property estate with a view to rationalising it and delivering a recurring saving of £1.8m (this is the equivalent to the annual cost of approximately 40 teachers, or 40 social workers or the Council's entire grounds maintenance squad).

1.19 A high level analysis of the property estate is shown below.

Category	GIA (Gross internal area) m ²	% of total estate GIA	Average Running Cost p/a (£)	% total Estate Average running cost
Total Estate	394,715	100%	38,345,454	100%
IIL School Estate	78,082	20%	18,183,806	47%
Non IIL School Estate	176,559	45%	11,372,311	30%
PFI Office Estate	9,462	2%	3,417,919	9%
Non PFI Office Estate	16,080	4%	1,399,594	4%
ALEO/Trust Estate	24,457	6%	938,187	2%
Other Buildings Estate	90,074	23%	3,033,636	8%



This table shows that those elements of the estate funded through Private Finance Initiative (PFI) and Investment in Learning (IIL) account for 22% of the total Gross Internal Area (87,544m²) and 56% of the annual average running costs (£21,601,725). These are contractually fixed and cannot be amended through the Corporate Property Asset Management Programme.

- 1.20 Of the remaining 78% of GIA (307,170m²) and 44% annual average running costs (£16,743,728), the non IIL School Estate accounts for 57% of GIA (176,559m²) and 68% of average annual running costs (£11,372,311).
- 1.21 The properties run by the Arms-length External Organisations (ALEO's), but owned by the Council, (excluding the village halls) account for 8% (24,457m²) of this remaining GIA and 6% (£938,187) of remaining average annual running costs.
- 1.22 The remaining 35% GIA (26% average annual running costs) is made up predominantly of car park buildings, care homes, the Crematorium, operational depots and village halls/heritage buildings, therefore, the realisation of the £1.8m will be challenging.

- 1.23 The Transformation School Estate Review (Report No.16/347 refers) is currently ongoing. The Property Asset Management programme has significant dependencies to this review particularly in the areas of reduced ongoing property running costs associated with a smaller school estate. Progress of the School Estate Review is reported regularly to the Lifelong Learning Committee.
- 1.24 While it is clear that changes to the school estate are subject to ongoing consultation, if the savings from the review are not delivered in full, the opportunities for savings from the wider Property Asset Management Review are focussed on an even smaller number of properties. In addition, the earlier rationalisation exercises tended to focus on leased properties. Consideration of reductions in the Council owned estate has potentially more risks and issues.
- 1.25 It is noted that, if the anticipated savings from the Corporate Property Asset Management programme are not met, this will have a significant impact on the Council's revenue budget in future years.
- 1.26 The £1.8m saving is currently profiled as shown below:

Financial Year	2018/19	2019/20	2020/21
Cumulative Recurring Saving (£,000)	795	1,295	1,795

The budgeted savings for the current financial year are on target to be achieved through a combination of planned closures/transfers, POP savings and if required, budget flexibility.

- 1.27 Since the programme was approved, substantial work has been undertaken to understand, and gather the metrics to support future decision making and refine the principles to be used for this review. This has involved the collation of information on properties along with stakeholder workshops to review both the estate and our future approach to service delivery.
- 1.28 In addition, the principles established through SNAP1 and POP continued to be applied with the relocation of Council services in Crieff into James Square and Strathearn Community Campus. It has also included the transfer from the General fund to the Housing Revenue Account of surplus office accommodation, for example, Balmoral Road, Blairgowrie and Dunkeld Road Perth, for conversion into affordable housing (Report No.18/285 refers).

2. CONDITION OF THE PROPERTY ESTATE

- 2.1. In line with the Scottish Government Condition Core Facts methodology ([link](#)), Perth and Kinross Council undertakes condition and suitability surveys of its property estate.
- 2.2. These surveys provide an assessment on how suitable a property is for its current function and an assessment of the condition of a property, allowing an indicative level of future maintenance costs for the property.

- 2.3. The surveys assess the suitability and condition of a property in line with the following criteria:

Suitability		
Rank		Description
A	Good	Performing well and operating efficiently (supports the needs of staff and delivery of Services).
B	Satisfactory	Performing well but with minor problems (Generally supports the needs of staff and delivery of Services).
C	Poor	Showing major problems and/or not operating optimally. (Impedes the performance of staff and/or delivery of Services).
D	Unsuitable	Does not support the delivery of Services (Seriously impedes the delivery of Services).

Condition		
Rank		Description
A	Good	Performing as intended and operating efficiently.
B	Satisfactory	Performing as intended but showing minor deterioration.
C	Poor	Showing major defects and/or not operating as intended.
D	Unsuitable	Life expired and/or serious risk of imminent failure.

- 2.4. The results of these surveys are reported as part of the Local Government Benchmarking Framework, an overall summary of the Council's performance for the last five years is shown below:

	2012/13	2013/14	2014/15	2015/16	2016/17
Percentage of total Estate in Condition A or Condition B	94%	94%	94%	91%	92%
Percentage of total Estate in Suitability A or Suitability B	86%	85%	86%	84%	83%

- 2.5. In common with other local authorities, the results show a property estate, which despite ongoing planned investment, is deteriorating in condition and suitability.
- 2.6. Following the building failures experienced by the Edinburgh School estate and the tragedy at Grenfell Tower, the UK and Scottish Governments have engaged with local authorities as part of an ongoing consultation exercise to review building standards legislation. Changes to statutory building standard regulations are likely to result in additional revenue and capital costs for local authorities. This includes increased fire stopping, increased construction supervision, post contract review and ongoing property surveys.
- 2.7. Properties have unavoidable lifecycle costs associated with them. The condition survey output for a property provides an indication of the scale and timing of significant planned maintenance works, for example, rewiring,

heating replacement, etc. These types of work are often intrusive, involving breaking in to areas of the property structure normally hidden. Experience suggests that the actual level of works required (direct or associated) can be greater than originally estimated – for example the discovery of asbestos will impact on the timescale and cost of a rewiring project.

- 2.8. Maintaining the property estate at its current size and with its current level of funding is likely to result in the continuing deterioration of the estate.

3. PROPERTY ASSET MANAGEMENT PROGRAMME – PROGRESS TO DATE

- 3.1. As a result of work undertaken as part of the project, there is a better understanding of the Council's property estate and, through significant engagement with Services, its future service delivery needs.
- 3.2. Alongside the overall delivery of the programme, the Project Team has been active in identifying property savings opportunities resulting from service redesign and has successfully managed the planned closures of Beechgrove House and Lewis Place Day Care Centre.
- 3.3. A number of workshops have been held with an extended Corporate Management Group which included all key internal stakeholders, to consider and develop an agreed set of objective principles as the basis for the overarching property estate review. These draft principles are:

1.	The property estate is recognised and treated as a shared strategic corporate resource.
2.	This is about saving money while delivering services effectively; people not properties.
3.	There will be no changes made to the Council's property estate without the authorisation of the Executive Director – Housing and Environment.
4.	The property estate will be reviewed in the context of settlement and neighbourhood and recommendations made accordingly.
5.	The property estate will be reviewed to identify opportunities for co-location and shared services, and recommendations made accordingly.
6.	The property estate will be reviewed to identify opportunities for co-location with community planning partners, and recommendations made accordingly.
7.	There is a presumption that the community will have access to the property estate.
8.	There is a presumption that Community Asset Transfer legislation will be used whenever possible.
9.	The property estate will be affordable, sustainable and fit for purpose based on service need now and in future.

- 3.4. The Communities Empowerment (Scotland) Act 2015 strengthens the opportunities available for communities to pursue asset transfer of public service facilities. The Council is addressing community asset transfer, as this supports communities in making decisions about the things that affect them. It also means there are opportunities for savings on building operational running costs through community asset transfer. At the time of writing there are eighteen live applications being progressed for community asset transfer in Perth and Kinross.

4. PROGRAMME PROPOSALS

Blairgowrie and Alyth

- 4.1. The Project Team proposes that, as the final phase of the SNAPi project, a review of property within Blairgowrie and Alyth should be undertaken. This will be carried out in accordance with the over-arching principles and with the appropriate local elected member and community consultation.
- 4.2. To progress this review, the Scottish Futures Trust has agreed to facilitate a 'one public service estate' workshop, to include all other public bodies, for the Blairgowrie area, to maximise the benefits from a wider review of property assets used by public services in the area.

Perth Office Estate

- 4.3. The Project Team recognise the opportunity for a further review of the Perth property estate through a second phase Perth Office Programme (POP2). This review would focus on 1 – 5 High Street and the remaining leased office accommodation within Perth, notably Highland House, York Place and St. Martin's House.
- 4.4. This will be a significant piece of work that will require additional staffing capacity. It is proposed to make a bid to the corporate Transformation Fund for the resources to deliver this. In addition the Pullar House PFI contract expires in 2025, which will give the Council sufficient lead-in to consider its options, including how much future floor space is required in Pullar House.
- 4.5. The original Perth Office Programme was delivered predominately through prudential borrowing, which included costs for redesign and refurbishment of the retained office estate. Work is ongoing to investigate the further use of prudential borrowing to fund this element of rationalisation.

Perth City North

- 4.6. The project team will work with 'Stronger Communities' colleagues and the communities of Fairfield, Letham and Tulloch to support their aspirations for community facilities.

Other Community Facilities Across the Council Area

- 4.7. On completion of the above reviews, the remaining estate across all other areas of Perth and Kinross will be subject to review. These remaining areas comprise mainly of operational and community facilities. These are likely to have significant levels of local interest along with small levels of recurring savings.
- 4.8. Appropriate officer and elected member consultations will take place throughout the project, with final recommendations reported to SP&R for formal consideration/approval. This process is outlined in Appendix 1.

5. RECOMMENDATIONS

- 5.1. It is recommended that the Committee endorses the :
- progress made with the Property Asset Management programme
 - recognition of the dependencies on delivering the anticipated programme savings, in particular that of the School Estate Review
 - savings profile as shown in paragraph 1.26 above
- 5.2. It is recommended that the Committee approves the :
- overarching principles detailed in paragraph 3.3 above
 - programme proposals outlined in Section 4 above

Author

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Approved

Name	Designation	Date
Barbara Renton	Executive Director Housing & Environment	19 October 2018

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	None
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	Yes
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	Yes

1. Strategic Implications

Corporate Plan

- 1.1 The Council's Corporate Plan 2013/18 lays out five outcomes focussed strategic objectives which provide strategic direction, inform decisions at corporate land service level and shape resource allocation:
- (i) Giving every child the best start in life;
 - (ii) Developing educated, responsible and informed citizens;
 - (iii) Promoting a prosperous, inclusive and sustainable economy;
 - (iv) Supporting people to lead independent, healthy and active lives; and
 - (v) Creating a safe and sustainable place for future generations.
- 1.2 The report relates to (iii) and (v) above.

2. Resource Implications

Financial

- 2.1 This report has revenue and potentially capital implications.

Revenue

- 2.2 The programme is required to achieve recurring revenue savings of £1.8m per annum from April 2020, some of which has been mitigated by savings from the Perth Office Programme.

Capital

- 2.3 Options for property rationalisation will be presented throughout the programme that may require capital expenditure to ensure buildings remain fit for purpose for service delivery.

Workforce

- 2.4 There are no anticipated workforce implications arising directly from this report.

Asset Management (land, property, IT)

- 2.5 The premise of this report and the Corporate Property Asset Management Transformation Programme is that savings will be made through property rationalisation and therefore a reduction in the Council's operational estate. At this stage it isn't possible to quantify this reduction.

3. Assessments

Equality Impact Assessment

- 3.1 Following an assessment using the Integrated Appraisal Toolkit, it has been determined that the proposal is not relevant.

Strategic Environmental Assessment

- 3.2 The proposals have been considered under the Act and no further action is required as it does not qualify as a PPS and is therefore exempt.

Legal and Governance

- 3.4 The Head of Legal and Governance and the Head of Democratic Services have been consulted in the preparation of this report.

4. Consultation

Internal

- 4.1 The content of this report was discussed with the Executive Officer Team, Corporate Management Group and the Project Review Team.

External

4.2 Not applicable.

5. Communication

5.1 Communication with regard to the programme will be carried out through the most appropriate medium.

Generally, communication with regard to programme updates will be through Verto reports, which are then cascaded to SMT, EOT and the Transformation Board. Additional communication through the medium of committee report will be submitted as appropriate. More informal communication will be carried out with management and staff as appropriate through verbal or written media.

2. BACKGROUND PAPERS

2.1 Not applicable.

3. APPENDICES

3.1 Appendix 1.