



SCOTTISH
FIRE AND RESCUE SERVICE

Working together for a safer Scotland

Report to: SCOTTISH FIRE AND RESCUE BOARD

Report Number: B/FCS/7-13

Date: 26 SEPTEMBER 2013

Report By: CHIEF OFFICER

Subject: PROPERTY ESTATE – STRATEGIC INTENT

1 PURPOSE

- 1.1 The purpose of this report is to seek Board approval of the Scottish Fire & Rescue Service's strategic intent in relation to the property estate requirements for specified support functions.

2 RECOMMENDATION

- 2.1 The Board is asked to approve the following recommendation(s):

- 1) That the strategic intent outlined in paragraph 5 be approved,
- 2) That the transitional funding set aside for Control Room Integration be utilised, subject to Scottish Government approval, to undertake the necessary technical work to enable call handling for the Dumfries and Galloway area to be transferred to Johnstone Control.

3 BACKGROUND

- 3.1 The Board, at its meeting in June 2013 agreed that a review of property requirements would be undertaken, to report back in September, in relation to the following support functions:

- National Training Facilities,
- Control Rooms,
- Vehicle and Equipment Workshops,
- ICT Data Centres,
- Office Accommodation,
- National Headquarters.

4 PROCESS FOLLOWED

- 4.1 Detailed business cases were prepared for each of the identified functions which the Board was given opportunity to review and challenge.
- 4.2 Ryden commercial property specialists were appointed to undertake a baseline review of the in-scope inherited property portfolio and to conduct a professional options appraisal.
- 4.3 The options appraisal process and outcome were presented in detail to the Board and the Options Appraisal Report is attached at Appendix A.

5 STRATEGIC INTENT

- 5.1 The business cases identified the following preferred options:
 - A single national training facility (supported by a number of single and multi-scenario facilities across the Service),
 - 2 control rooms, one of which is at Johnstone,
 - A national model of 4 strategically located asset resources centres,
 - 1 main data centre supported by a disaster recovery facility and 4 workshops integrated with the asset resource centres,
 - A rationalised office estate with development where required,
 - A suitably sized and presented national Headquarters building located in the area bounded by Perth, Glasgow and Edinburgh.
- 5.2 The options appraisal process (as outlined in Appendix A) considered how best to deliver these requirements and Appendix B details the resulting proposed actions in relation to each function/existing building. These plans would result in the following support estate:
 - A single national training centre at Cambuslang (Clydesmill) with accommodation facilities,

- 4 strategically located Asset Resource Centres accommodating fleet, equipment and ICT workshops at Newbridge; Seafield Road, Inverness; and 2 new Centres in the West (Greater Glasgow/Lanarkshire area – motorway access) and North East (A90 Aberdeen-Dundee corridor),
- 1 main ICT Data Centre at Johnstone with an off-site Disaster Recovery facility,
- Initially working towards 3 Control Rooms at Johnstone; Tollcross, Edinburgh; and McAlpine Road, Dundee with plans to combine Edinburgh and Dundee into a new/upgraded facility in Dundee in the longer term,
- 3 Service Delivery Headquarters at Mounthooly Way, Aberdeen (North); Newbridge, Edinburgh (East), and Bothwell Road, Hamilton (West), although it is recognised that Hamilton is under-utilised in this capacity and as such will be kept under review,
- A new national Headquarters located in the area bounded by Perth, Edinburgh and Glasgow.

5.3 The following sites would be fully released and could be disposed:

- Scottish Fire Service College at Gullane, along with the associated houses,
- Cowcaddens, Glasgow (retaining a fire station),
- Lauriston Place, Edinburgh (steps will be taken to ensure continued public access to heritage assets in Edinburgh),
- Maddiston, Falkirk,
- North Anderson Drive, Aberdeen (retaining a fire station),
- Thornton, Fife,

6 STRATEGIC RISKS

6.1 A number of strategic risks associated with this proposal have been identified and are shown in the table below, alongside the potential impact and proposed mitigating actions:

Risk	Potential Impact	Mitigating Action
Capital receipts cannot be realised at the level estimated or investment costs are in excess of those estimated.	The funding shortfall would require to be met from the capital DEL budget, reducing the funds available to address backlog maintenance and refurbishment in operational fire stations, to rationalise and standardise fleet and equipment assets across Scotland, and to invest in ICT.	Valuations and estimates have been provided by independent property professionals and have been conservatively stated. In addition there is a level of flexibility in relation to the timing of disposals which would allow for properties to be appropriately targeted.
Permission is not granted to retain the capital receipts from disposal of surplus properties to reinvest in planned investments.	As above, planned expenditure that cannot be funded from disposal receipts would require to be funded from the capital DEL budget.	Dialogue will be maintained at all levels with the Scottish Government as the strategy progresses.

Risk	Potential Impact	Mitigating Action
Staff displacement costs are in excess of those estimated.	Additional costs would require to be met from the resource budget. On the other hand they may be lower than estimated, resulting in a saving.	<p>Cost estimates and other assumptions will continue to be refined as the programme is progressed. Where changes to these render any aspect of the strategy unworkable the Board will be apprised of the situation and a new direction sought.</p> <p>Efforts will be made to minimise the geographical displacement of staff by seeking opportunities for local redeployment within the Service.</p>
Staff relocation proposals result in loss of key individuals.	This would place an additional burden on remaining staff for a period of time until gaps can be filled.	Staff impact has been considered throughout with the aim of minimising this where possible. Every effort is being made to make staff aware of these plans as early as possible and HR policies are being developed to provide appropriate options for displaced staff.

6.2 Alternatively, the strategic risk associated with not pursuing a programme of property rationalisation and investment is that the Service's support functions are unable to perform effectively as accommodation is disparate and not fit for purpose, and staff are unable to gain the benefits of working in larger teams where centres of expertise can be established.

6.3 In addition, resource budget savings of c.£4.7million per annum would not be realised and would require to be met from other areas of expenditure. The equivalent saving in fire-fighter numbers would result in a reduction of c.162 posts.

- 6.4 Continuing with the existing estate would also require a capital investment of £c.£9million to address backlog maintenance over the first 4 years to bring the properties up to a minimum standard.

7 STRATEGIC BENEFITS

- 7.1 The key strategic benefit that will accrue from undertaking this programme of property rationalisation and investment is the creation of a fit for purpose, cost-effective, support estate that is strategically located across our communities, giving the Service a robust platform from which to deliver its strategic aims.

8 NEXT STEPS

- 8.1 This paper signals SFRS's strategic intent in relation to its support estate. Timelines are indicative and specific moves will be subject to detailed planning, assessment and approval at the time.
- 8.2 Work will now be progressed over the next few months to develop a detailed implementation timeline, in discussion with Scottish Government, with specific reference to disposals and cash flow.
- 8.3 A report will be brought to the Board in November outlining plans to utilise the £1.2million set aside in the 2013/14 capital budget to begin to progress this strategy. Thereafter planned capital transactions will be incorporated in the capital budget planning process.
- 8.4 The Board, at its meeting in June, endorsed Transitional Funding bids for 2013/14 totalling £5.5 million for projects and a further £2.5 million for voluntary severance. Included within these was £0.566 million in relation to Control Room Integration. In light of the strategic intent outlined above it is intended to use this funding to undertake the necessary technical work to enable call handling for the Dumfries and Galloway area to be transferred to Johnstone Control.
- 8.5 Work to deliver the strategic intent will be managed through the Service Transformation Programme.

9 EMPLOYEE IMPLICATIONS

- 9.1 It is recognised that property rationalisation will have a significant impact on employees and throughout the process detailed analysis has been undertaken to understand the nature and extent of this.

- 9.2 It is intended that employees who are displaced as a result of functions relocating will have access to a range of SFRS Change Management policies such as:
- Voluntary Severance or Early Retirement,
 - Relocation,
 - Redeployment,
 - Pay Protection,
 - Travel Expenses.
- 9.3 In addition, SFRS will make available flexible working arrangements, will consider the business needs of co-locating teams, and will make every effort to fill any vacant posts that emerge within the structure internally, to allow those staff who are displaced to attain a suitable alternative role within the SFRS structure.
- 9.4 A staff communication plan is being developed to support the implementation of these proposals and early input has been provided ahead of this report. Updates on the progress of this work will be given via the Chief's blog, staff e-zines, the intranet and face to face meetings/briefings.

10 FINANCIAL IMPLICATIONS

- 10.1 The financial Options Appraisal, based on indicative cash flows, shows a Net Present Cost of the proposed rationalisation and investment strategy of £133.4 million over 30 years, in comparison to the minimum "no change" option of £222.0 million.
- 10.2 The proposed rationalisation and investment strategy has been estimated to deliver c.£18million in capital receipts from disposals and requires £17.5million of investment in new properties, refurbishments and backlog maintenance to provide a fit-for-purpose estate.
- 10.3 Overall the strategy is estimated to deliver a net positive capital position of c.£0.5 million over 5 years and results in annual savings on property running costs of £4.7million.
- 10.4 It is recognised that it will be necessary to obtain support from Scottish Government to access the proceeds of any disposals.

11 LEGAL IMPLICATIONS

- 11.1 SFRS has statutory authority to buy and sell property however is required to operate within the terms of the Scottish Public Finance Manual.

12 EQUALITY IMPACT ASSESSMENT AND CONSULTATION ARRANGEMENTS

- 12.1 An equality impact assessment has been undertaken which concludes that a decision resulting in the relocation of personnel would potentially have a negative impact on employees irrespective of any protected characteristic they may hold. This assessment does not however negate the business case for such a decision but points to the need to be mindful of the issues identified and have plans in place to deal with them.
- 12.2 In relation to the Equality Act 2010 the impact may be most significant for those employees who have caring responsibilities (most likely to be women) and those with disabilities due to limitations on their ability for extended travel.
- 12.3 The equality impact assessment sets out the potential impact, reflects on the process adopted and presents activities the SFRS may wish to consider to limit the negative impact. These have been addressed by the measures identified in paragraphs 9.2 and 9.3.
- 12.4 The Scottish Government Sponsor Unit and Property Advice Division, and the Scottish Futures Trust, have been engaged throughout the process.
- 12.5 Employee representative bodies have been engaged throughout this process.
- 12.6 A programme of engagement has been undertaken with staff as detailed in paragraph 9.4.
- 12.7 Key Local Stakeholders have been made aware of these proposals.

ALASDAIR HAY
Chief Officer

26 September 2013

Background Papers

1. [Functional Business Requirements](#)
2. [Equality Impact Assessment](#)



Scottish Fire and
Rescue Service:

Support Estate
Options Appraisal

September 2013

1. Introduction

1.1 Ryden was instructed by the Scottish Fire and Rescue Service (SFRS) to advise on the strategic intent for the service's support estate.

1.2 Scotland's eight former fire and rescue services were merged into a single national service from 1 April 2013. The delivery model for the new SFRS is as a national service underpinned by three service delivery areas (SDAs) encompassing seventeen local senior officer (LSO) areas. The formation of the new service introduces the potential for support estate rationalisation to realise capital returns, reduce revenue costs and undertake targeted new investment. Estate functions in scope are:

- National training centres
- Fleet and equipment workshops
- Information and communication technology (ICT)
- Control rooms
- SDA offices
- SFRS headquarters office

Fire stations are not in scope. LSO offices are typically small and attached to fire stations and are not in scope at this stage.

1.3 The options appraisal in this report build upon the SFRS's *Property Estate – Strategic Intent* document of 27 June 2013 by Chief Officer Alasdair Hay, endorsed by the SFRS Board, which sets out the aim to achieve an operationally efficient and affordable support estate.

1.4 The report is based upon a programme of work executed between June and September 2013, including:

- Estates scoping meetings with SFRS Finance and Contractual Services teams
- Two workshops with the SFRS Strategic Leadership Team (SLT) and Scottish Futures Trust (SFT)
- A baseline estates review by SFRS property team and Ryden
- A suite of business cases prepared by SFRS support functions

- Three SFRS Board workshops to develop the strategic intent with SLT, Scottish Government, SFT and Ryden also in attendance

1.5 The options appraisal methodology used in this report is based upon and compliant with the guidance provided in the *Scottish Public Finance Manual* and *HM Treasury Green Book: Appraisal and Evaluation in Central Government*.

1.6 The remainder of this report provides:

- A review of the SFRS support estate functions and options (Section 2)
- A financial appraisal of the support estate options (Section 3)
- Combined non-financial and financial options appraisal (Section 4)
- Conclusions (Section 5)

Appended to the report is a discounted cash flow analysis of the main support estate options.

2. Support Estate

Overview

- 2.1 The SFRS legacy support estate comprises twenty four sites¹ totalling an estimated 36,000 sq.m. of floor space. Individual buildings are identified later in the description of the options appraisal process in Section 3 (Table 2).
- 2.2 By function, the number of property assets currently making up the support estate are:
- 2 National level training facilities
 - 7 (6 in use) Fleet and equipment workshops
 - 10 Information and communication technology (ICT) sites
 - 8 Control rooms
 - 8 former fire and rescue service headquarters office
 - 1 SFRS interim headquarters office
- 2.3 This spread of thirty-seven separate uses across twenty-four sites indicates that a number of legacy support estate locations are multi-functional. Thirteen of the twenty-four legacy assets have more than one support function; for example Maddison in Falkirk has offices, control, fleet and ICT at the same site.
- 2.4 In addition, some support functions are either sited alongside or based within fire stations. Eleven of the twenty-four sites are at fire stations. Operational fire stations are out-of-scope for this options appraisal.
- 2.5 The effect of having some multi-function sites and some support uses as part of fire stations is to introduce a degree of complexity to the potential future use or release of individual assets. This complexity has been addressed through the iterative process described in Section 1 and informed by the SLT and Finance and Contractual Services' detailed understanding of the estate.

Support Function Reviews

- 2.6 Each support function is reviewed below, building upon the baseline estates analysis and the business cases presented by SFRS for each function.

¹ Excluding seventeen small offices in local senior officer (LSO) areas. Treating the Training College at Gullane plus four instructors' houses as a single asset.

2.7 **Training.** The *Training & Employee Development Business Case: National & Specialist Training Facilities Business Case* (September 2013) details the objectives and current position, leading to a set of options for appraisal.

2.7.1 The Training objectives concern quality of and access to training, and removal of duplication created by merging eight fire services into one. In scope for this strategic intent options appraisal are the national level training facilities at Gullane in East Lothian and Clydesmill in South Lanarkshire.

2.7.2 A single national training facility with no regional centres scores highest among the business case options, at 7.6/10. A “do minimum” option of continuing with both Clydesmill and Gullane scores 3.6. Clydesmill is a recently purpose-built centre of excellence in an accessible location within the Glasgow conurbation, while Gullane is located on the east coast and would require major investment to reach Clydesmill’s standard (conservatively more than £10 million), at which point SFRS would then have two national training centres. **The options in scope therefore are to continue with both sites, or to close Gullane and use Clydesmill as the national training centre.**

2.7.3 Investing at Clydesmill would require an accommodation block for trainees. A variant on this could lead to the SFRS hiring hotel accommodation instead. Hiring accommodation would remove the need for capital expenditure increase revenue costs; appraisal of these financial variables, the accommodation options available and the trainee experience would be required to inform a final decision.

2.8 **Fleet and equipment workshops (Asset Resource Centres):**

2.8.1 This function’s September 2013 business case identifies the requirement for a smaller number of modern buildings in locations accessible to the larger majority of the SFRS within less than one hour’s travel time. As well as servicing and maintaining vehicles these centres can support assets including operational equipment, personal protective equipment, ICT, property and storage. A legacy portfolio of eight workshops has already been rationalised to six through withdrawal from Council-based services at Dumfries and Thornton in Fife. Scope exists at Newbridge in Edinburgh and in Inverness (although the latter requires investment), but not at Cowcaddens in Glasgow, Maddiston in Falkirk, Dundee or Aberdeen’s fleet workshops.

- 2.8.2 Against the objectives of having modern facilities in the correct locations with access to the trunk road network, equitable and flexible access to trained staff, and development of centres of expertise, the do minimum option (six current facilities) scores 4.2 / 10, reducing these to a smaller number scores 5.7, and developing a national model around four strategic locations scores 7.1. **Do minimum and the national model are appraised.** No variant option is appraised as rationalisation is progressive and can be reviewed at each stage.
- 2.9 The **ICT business case** (September 2013) requires a single, fit-for-purpose infrastructure to deliver capacity, quality, capability, performance and resilience to support the merged SFRS.
- 2.9.1 The business case notes the SFRS's high dependency on ICT and therefore the high priority attached to the objectives, which are: single, fit-for-purpose ICT infrastructure as above; provision of a disaster recovery centre; provision of ICT workshops; appropriate locations for technical and support staff; ensuring availability of appropriate staff including retention and recruiting; and minimising cost.
- 2.9.2 ICT has ten legacy sites. Continuing to operate from these sites scores 3.7/10 against the above objectives. Developing a main data centre and a disaster recovery centre while continuing to provide support from the legacy sites scores 6.1. Developing a main data centre and a disaster recovery centre plus rationalising to four workshops sites scores 8.9.
- 2.9.3 The ICT business case does not have a high capital cost (see Section 3). Any surplus sites are multi-functional and dependent upon larger relocations, although ICT vacating will contribute to a site being released. The highest-scoring option is contingent upon delivery of Fleet & Equipment asset resource centres to accommodate the new, rationalised ICT workshops.
- 2.10 **Control rooms** are part of Scotland's critical national infrastructure, and are required to mobilise the fire and rescue service:
- 2.10.1 The Fire Control business case (September 2013) provides full details on the eight legacy control rooms, their functionality, staffing, costs, incident handling and how these incidents map onto the three new service delivery areas. It also reflects upon a 2004 study into the

optimum number of fire control rooms required in Scotland. There is a key dependency upon the SFRS's ICT, reviewed above.

2.10.2 Against the objectives of: call handling capacity; mobilisation; resilience; staffing; costs; and national tracking of operational resources; the do minimum option using the current sites scores 4.7/10, a single national control room scores 7.3, three control rooms scores 8.5 and two control rooms scores 8.6. The option to run two or three control rooms scores higher than a single site due to increased resilience. The reduction to two control rooms is a phased, one-at-a-time migration from existing sites², therefore the options are do minimum, and rationalise over time to two sites. Like Fleet & Equipment, there will be a continual opportunity to review progress.

2.11 The three **service delivery area offices (SDAs)** will accommodate staff with regional functions in the North, West and East areas:

2.11.1 SFRS is in transition to a single service and the exact balance of staff between national headquarters (below), SDAs and local service offices is in the process of being established. To narrow the focus of the strategic intent and in consultation with the author of the September 2013 Office Accommodation business case, the 17 local senior officer premises have been filtered out of this appraisal (most are very small and within fire stations) and will come back into scope when the full hierarchy of office locations is evaluated.

2.11.2 The requirement for each SDA is for an office to accommodate between 75 and 96 personnel³. The options available within the support estate are:

- **North: Mounthooly, Aberdeen.** This forms part of a relocation chain which releases Control (as above) and allows full closure of support functions at North Anderson Drive, which are separate from the fire station and can be declared surplus. Approximately 83 staff are to be accommodated at the North SDA indicating a requirement for 664 – 1038 sq.m., although the former Highlands & Islands regional headquarters in Inverness (500 sq.m.) could potentially continue to accommodate staff already located there.

² The assumed strategic programme is: 1. close Dumfries, 2. upgrade Johnstone, 3. close Thornton, 4. close Maddiston, 5. close Inverness, 6. close Aberdeen; leaving Johnston, Edinburgh and Dundee; then invest in Dundee and close Edinburgh.

³ Source: SFRS property team

- **West: Hamilton.** This site has more than sufficient capacity to accommodate the 96 staff in the West SDA and their estimated 768 – 1200 sq.m. property requirement. Locating staff at Hamilton is not contingent upon any other part of the portfolio. Offices at Calton fire station in Glasgow and the adjoining Kilbirnie House total only 317 sq.m. and taking these would displace existing uses.
- **East: no existing office.** None of the sites reviewed can provide the 600 – 938 sq.m. of office space required to accommodate the 75 East SDA staff. The best alternative within the portfolio is conversion of shell accommodation at the modern Fleet and Equipment building at Newbridge, Edinburgh (subject to a full review of staffing and accessibility).

2.11.3 Against the office accommodation objectives of: being lean by having the correct capacity; safe, secure and fit-for-purpose; accessibility; utilisation; sustainability; operational efficiency; adaptability; community integration; and corporate image; the do minimum option of remaining in the current estate scores 4.9/10, rationalising without development scores 5.5, and rationalising while developing where required scores 8.4. The options appraised are therefore do minimum, and rationalising with new development where required; although given the availability of the eight former headquarters offices around Scotland it is likely that the development option will be selective rather than involving a major new building programme.

2.12 The **SFRS Headquarters** business case (September 2013) seeks to determine the location and characteristics of a permanent replacement for the temporary office accommodation currently leased at Whitefriars Crescent, Perth:

2.12.1 The objectives against which headquarters options are scored are: an appropriate focal point; office accommodation to accommodate 80 staff plus flexibility for 20 more (indicating around 1250 sq.m.); ICT connectivity; serving all of Scotland and providing a career path open to all; and accessibility to staff and visitors. Against these objectives the do minimum option of remaining the current leased accommodation at Whitefriars, Perth scores 3.2/10, locating in a central search corridor from Lanarkshire to Perth scores 8.8, and locating elsewhere in Scotland scores 7.0.

2.12.2 The headquarters options appraised are therefore do minimum by remaining at Whitefriars, or locate in the central search corridor. The

option to locate in the central corridor is specified here as a new-build. However, purchasing an existing building from a private owner or another public sector body - "the trawl" which involves internal advertising via Scottish Government – may be an option.

3. Financial Appraisal

- 3.1 This section introduces a financial analysis of the SFRS support estate to appraise in conjunction with the business case reviews summarised above.
- 3.2 The options in scope based upon Section 2 and the series of SFRS Board workshops are described in Table 1. The options are: do minimum (Option 1) and invest-and-rationalise (Option 2).

Table 1: SFRS Support Estate Options

Option	Description
1 Do Minimum	Continue to operate from legacy SFRS support estate inherited from eight former fire and rescue services plus leased headquarters in Perth. Undertake maintenance and investment as required to keep the estate in reasonable condition.
2 Invest-and-Rationalise	Invest, develop, dispose and migrate to a single, fit-for-purpose SFRS support estate. This is the combined preferred options from the business cases summarised in Section 2, adjusted where necessary for interdependencies and shared sites.

- 3.3 The interdependencies within the estate have been examined and programmed in order to create a deliverable programme for the invest-and-rationalise Option 2. This envisages migrating to the fit-for-purpose estate over a 5-year period. Table 2 presents this as a simple list of current assets (Option 1) and future assets under Option 2, including an indication of when each asset would come on stream.
- 3.4 These Option 1 and Option 2 property assets are programmed into a 30-year discounted cash flow in the Appendix 1 (please note that the Appendix is designed to be printed at A3 paper size) The cash flow is drawn from a full model which includes for each property asset: running costs⁴, non-domestic rates, backlog maintenance cost estimates, refurbishment costs, capital receipts (from surplus assets) and capital expenditure (on new assets).

⁴ Some support functions are within fire stations where the revenue costs and non-domestic rates are for the whole site.

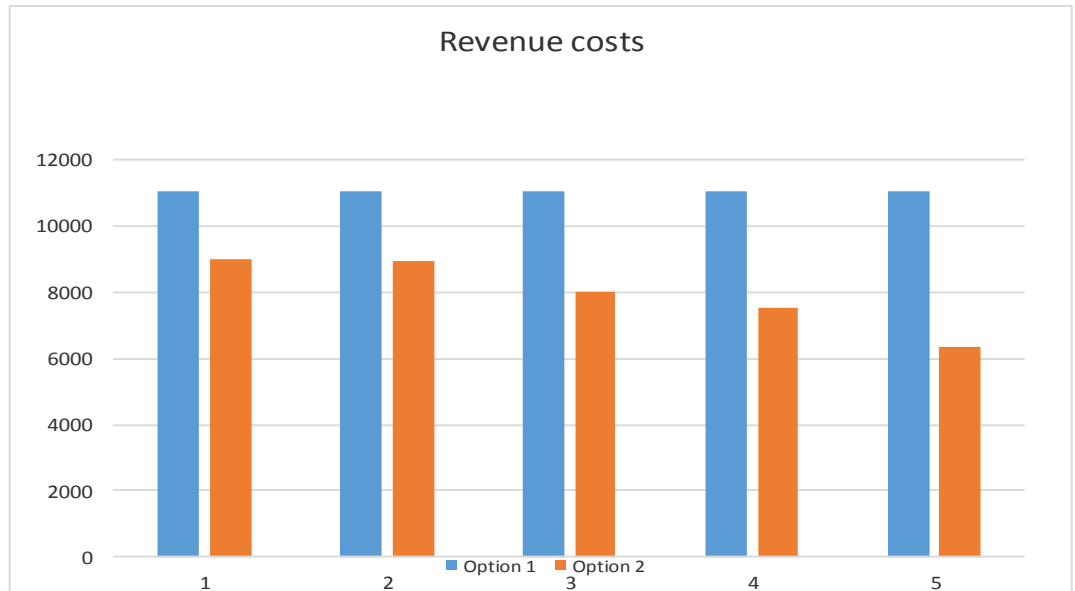
Table 2: Option 1 and 2 Assets

Function	Option 1 (do minimum) assets	Option 2 (invest-and-rationalise scenario)
Training	Gullane Clydesmill	Retain Clydesmill & build accommodation (year 2) Dispose of Gullane (year 4) and four houses (year 1)
Fleet & equipment	Cowcaddens, Glasgow Maddiston, Falkirk Newbridge, Edinburgh Blackness Road, Dundee N Anderson Drive, Aberdeen Seafield Road, Inverness (<i>Thornton, Fife discontinued</i>)	Dispose (year 5) Dispose (year 2, with Thornton) Retain Discontinue Dispose (year 4) Continue Build new (West, year 4) Build new (North-East, year 3)
ICT	Thornhill, Johnstone Bothwell Road, Hamilton Lauriston Place, Edinburgh Newbridge, Edinburgh Blackness Road, Dundee Brooms Road, Dumfries Maddiston, Falkirk N Anderson Drive, Aberdeen Thornton, Fife Seafield Road, Inverness	Upgrade Johnstone data centre (year 1) <ul style="list-style-type: none"> • New disaster recovery centre (year 1, site to be decided) • Four ICT workshops with Fleet & equipment sites
Control	Brooms Road, Dumfries Thornhill, Johnstone Thornton, Fife Maddiston, Falkirk Tollcross, Edinburgh McAlpine Road, Dundee Mounthooly Way, Aberdeen Seafield Road, Inverness	Discontinue Retain Dispose Dispose Retain (year 1); <i>discontinue</i> (year 3) Retain (year 1); invest (year 3) Discontinue Discontinue
Service delivery area offices	(<i>former headquarters sites</i>) Brooms Road, Dumfries Bothwell Road, Hamilton Lauriston Place, Edinburgh Thornton, Fife Maddiston, Falkirk N Anderson Drive Aberdeen Harbour Road, Inverness Blackness Road, Dundee	Discontinue Retain – West SDA Dispose Dispose Dispose Dispose Discontinue Discontinue Invest at Newbridge – East SDA Migrate to Mounthooly Aberdeen – North SDA
Headquarters	Whitefriars, Perth	New HQ within defined search area

- 3.5 The cash flow is annotated to show the timing of backlog maintenance, refurbishments, disposals and new buildings; these timings match those shown in Table 2 above. At this strategic intent stage the indicative programme is not converted into a detailed project plan showing exact timings, phasing and dependencies; this will be produced when the preferred strategic intent is approved and detailed planning for each asset can then be undertaken.
- 3.6 The **Option 1 (do minimum) cash flows results in a net present cost⁵ of £222.0 million**. Contributing to this cost:
- 3.6.1 Revenue and non-domestic rates costs remain at the current level of £11.074 million per annum.
- 3.6.2 The only surplus asset is land at Thornton, Fife (a disused vehicle workshop).
- 3.6.3 All backlog maintenance is required to bring property assets up to standard.
- 3.6.4 There are no new buildings in Option 1.
- 3.6.5 Capital investment to refurbish existing buildings is included in years 7-10 and 22-24.
- 3.7 **A much lower net present cost of £133.4 million for Option 2 (invest-and-rationalise)** is indicated, based upon:
- 3.7.1 Revenue and rates cost fall to a low point of £6.333 million in year 5 before stabilising at £6.418 million in year 7. This is a £4.656 million per annum revenue saving compared with Option 1. The progression of revenue savings to year 5 is illustrated on Figure 1.
- 3.7.2 Option 2 requires a much lower investment in backlog maintenance than Option 1 - £2.574 million rather than £8.940 million - as fewer existing buildings are being retained due to rationalisation.

⁵ The discount rate is 3.5% as directed by HM Treasury Green Book

Figure 1: Revenue Cost Comparisons



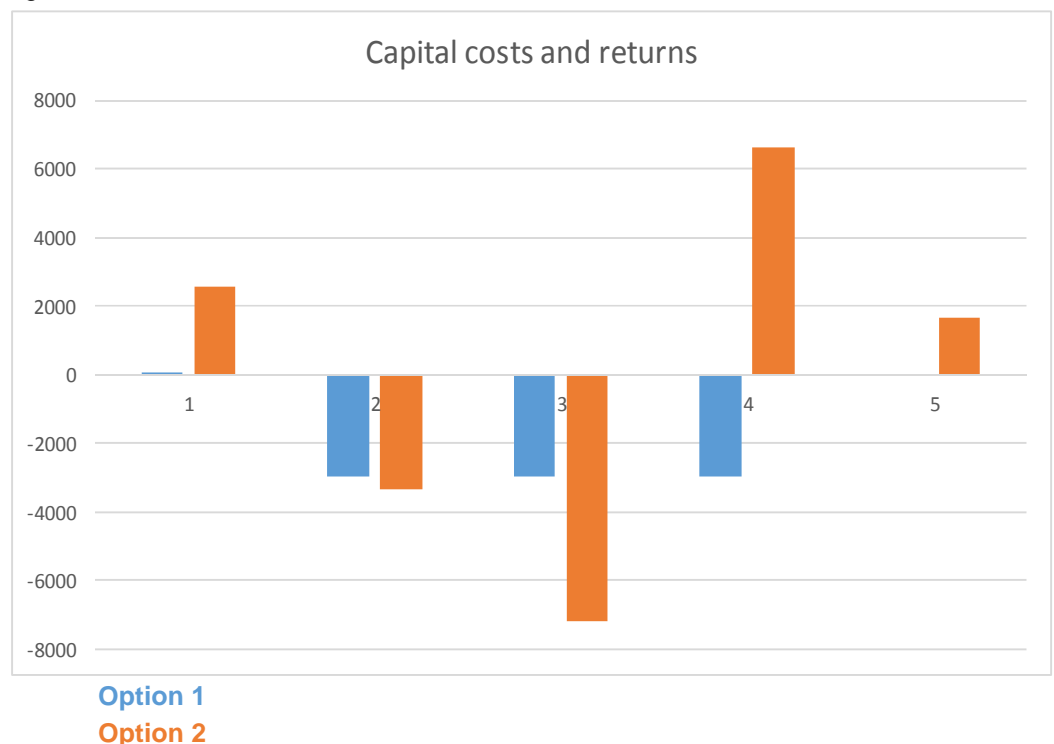
3.7.3 Option 2 produces an estimated £17.985 million of capital receipts (undiscounted) from assets made surplus through rationalisation. The process for disposal and ability for the SFRS to retain these receipts for re-investment is governed by the Scottish Public Finance Manual and subject to discussion with the Scottish Government. Any internal transfer to another public agency via “the trawl” would be at market value, although value for existing use rather than the alternative, higher value uses (such as residential) that Ryden has adopted in Option 2.

3.7.4 Capital investment in new assets totals £13.973 million over a 4 year period. This is less than the £17.895 million capital receipts. However the potential capital receipts are broad estimates, are programmed over 5 years and can be contingent upon advance investment to release sites, for example securing Clydesmill residential accommodation in advance of releasing Gullane. The invest-and-rationalise programme also avoids spending £6.366 million on backlog maintenance for those assets that will become surplus.

3.7.5 Figure 2 illustrates the net capital position over the first 5 years of the Option 2 programme. This include an element of backlog maintenance and refurbishment of Inverness/ North Fleet and Equipment workshops as these are treated as capital expenditure by SFRS.

Further work is required to optimise this, but the potential for a deficit before reaching surplus is illustrated. The net balance is £0.401 million positive for Option 2. For comparison the capital balance of Option 1 is shown; this is -£8.911 million as full backlog maintenance is required but only marginal capital receipts (£0.030m) generated.

Figure 2



3.8 Of the six support functions appraised, Training and Fleet and Equipment Workshops are significant capital projects due to their combinations of new buildings and surplus site disposals. SFRS Headquarters could incur a significant capital cost, while SDA offices a more modest capital cost (East SDA at Newbridge) and contribute to release of some mixed function sites. ICT and Control Rooms are mainly critical operational changes rather than major capital projects, although where these are a minor use in a site to be vacated and sold their place in the rationalisation programme is important.

3.9 Figure 3 compares the cumulative discounted cash flows for Options 1 and 2. Even with the new-build investment cost, Option 2's avoidance of 71% of backlog maintenance costs, falling revenue costs and staged capital receipts mean that investing-and-rationalising shows an immediate annual cash benefit; this is shown on the 5-years discounted cash flow on Figure 3. Over the full 30-year appraisal period, Option 2 opens up a substantial gap over to

reach the cumulative position of £133.4 million net present cost versus £222.0 million, as shown in Figure 4.

Figure 3

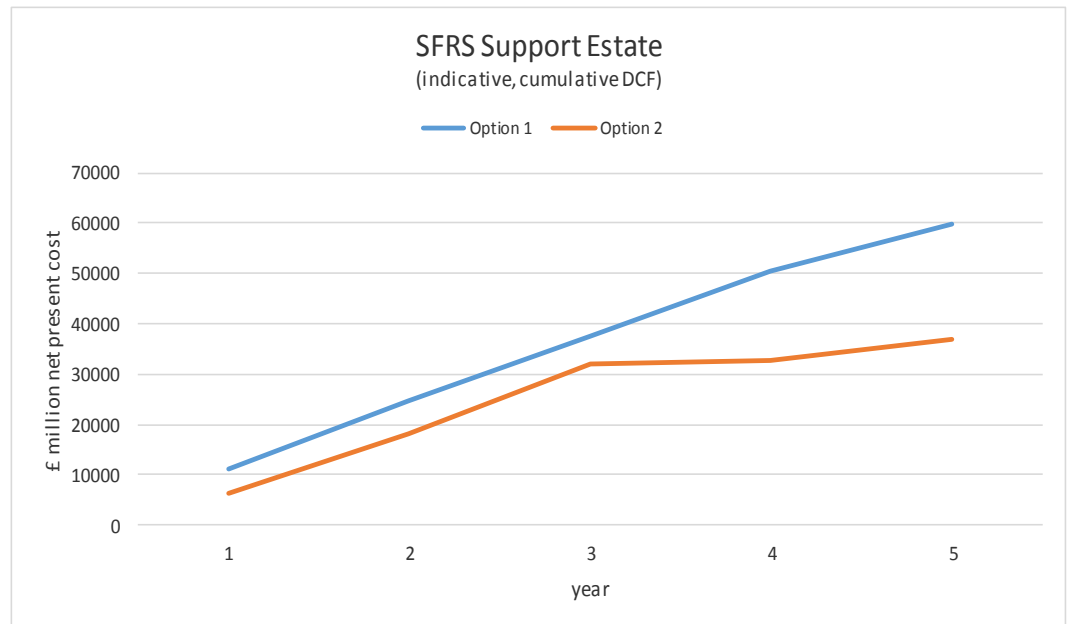
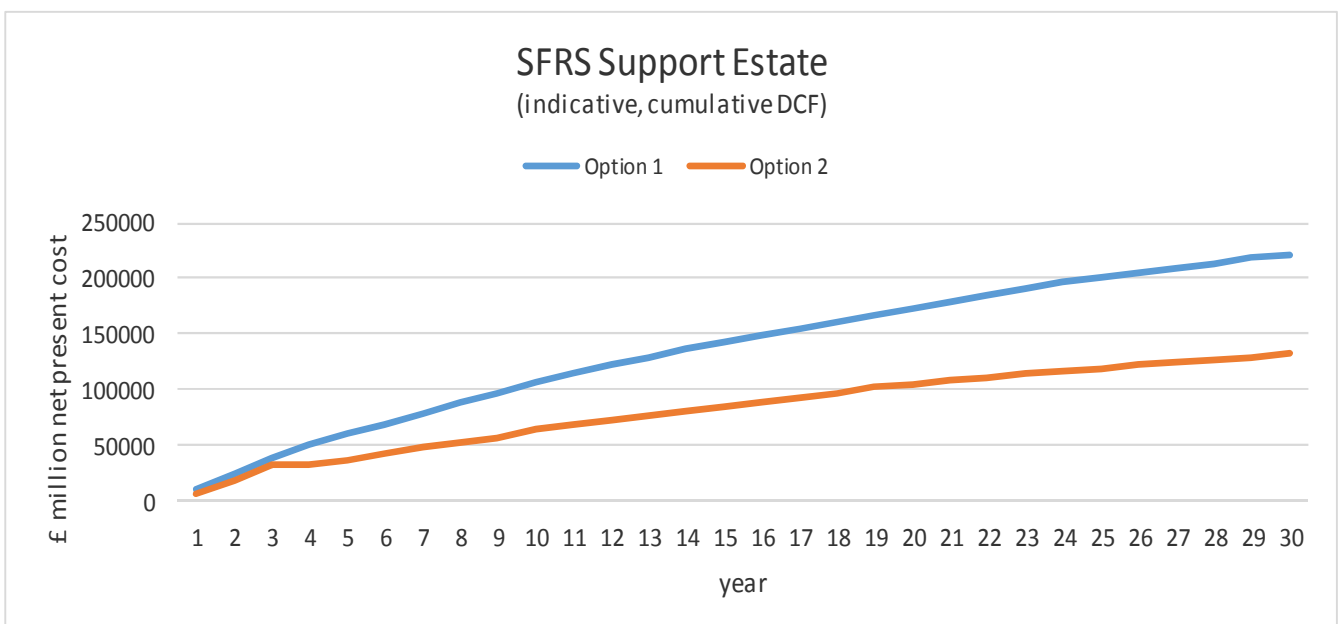


Figure 4



4. Options Appraisal

Introduction

- 4.1 Combining the business case scoring in Section 2 with the financial analysis in Section 3 provides the full strategic options appraisal for the SFRS support estate.

Weighting and Scoring

- 4.2 This approach requires weighting of inputs. Following discussion at SFRS Board Workshop, it was agreed that the weightings in Table 3 are appropriate for the support estate appraisal. Specifically, the weighting of 50% financial and 50% non-financial was preferred rather than potentially favouring non-financial considerations, given the budgetary pressures facing the SFRS.
- 4.3 All support functions were agreed to merit equal weighting (15%) as each is operationally important to the SFRS, while an over-arching 10% non-financial score reflects fitness-for-purpose as an integrated, efficient estate.

Table 3: Weighting of Options Appraisal Components

Appraisal	Weightings	Sub-weightings
Financial	50% <i>(based on net present costs of least-cost option)</i>	-
Non-financial	50%	10% estate integration & efficiency
		15% Training options
		15% Fleet & Equipment
		15% ICT
		15% Control Rooms
		15% SDA Headquarters
		15% SFRS Headquarters

--	--	--

4.4 Table 4 uses the components of the non-financial scoring to derive an overall figure for each option. The non-financial scores for each function are those provided by the business cases in Section 2 for do minimum or invest-and-rationalise, overlaid with the 10% available for overall estate integration and efficiency from Table 3 above.

Table 4: Overall Non-Financial Scores

Components (percentage)	Option 1 (do minimum)		Option 2 (invest-and-rationalise)	
	Score (/10)	Weighted Score	Score (/10)	Weighted Score
Integrated, efficient support estate (10%)	5.0	5.0%	9.0	9.0
National Training (15%)	3.6	5.4%	7.6	11.4
Fleet and Equipment Workshops (15%)	4.2	6.3%	7.1	10.7
ICT (15%)	3.7	5.6%	8.9	13.4
Control Rooms (15%)	4.7	7.0%	8.5	12.8
SDA Headquarters (15%)	4.9	7.4%	8.4	12.6
SFRS Headquarters (15%)	3.2	4.8%	8.8	13.2
TOTAL OPTION SCORE		41.5%		83.1%

4.5 Generally speaking, do minimum options score between 3 and 5 points out of 10 both across functions and overall, while invest-and-rationalise options score between 7 and 9 out of 10 points. These scores are of course composites based upon detailed business cases and specific objectives for each function.

4.6 The overall outcome is that Option 2's score is twice as high as Option 1, at 83.1% compared with 41.5%. The qualitative implication of these scores is that the current support estate is, through duplication, fragmentation and obsolescence only just about functional, while the preferred support estate is to a substantial extent fit-for-purpose for a single SFRS.

Combined Appraisal

4.7 Building upon this scoring, the combined financial and non-financial appraisals for Option 1 (do minimum) and Option 2 (invest-and-rationalise) are shown in Table 5.

Table 5: SFRS Support Estate Options Appraisal

Option	<i>Financial appraisal</i>		<i>Non-financial appraisal</i>		Combined score
	net present cost	score	points	score	
Option 1 (do minimum)	£222.0m.	30.1	41.5	20.7	50.8%
Option 2 (invest-and-rationalise)	£133.4m.	50.0	83.1	41.5	91.5%

Net present costs of Options are taken from the discounted cash flows in the Appendix

4.8 The results of the options appraisal are emphatic. Investing-and-rationalising under Option 2 not only scores twice as many non-financial points, it has a 41% lower net present cost than Option 1. The fit-for-purpose estate is both much more effective for SFRS and much less expensive. On a combined appraisal the option of continuing with the legacy support estate scores 50.8% while the option to invest-and-rationalise into a fit-for-purpose SFRS support estate scores 91.5%. **Option 2 is the preferred option.**

4.9 Earlier analysis (Figures 3 and 4) demonstrated that on an annual basis the financial advantage under Option 2 opens up immediately, due to revenue saving and avoidance of much of the backlog maintenance. There is however a capital funding requirement in years 2 and 3 (Figure 2 earlier), to allow the provision of fit-for-purpose accommodation to migrate into.

4.10 Following the investment and rationalisation programme the SFRS support estate would comprise seventeen function sites (down from thirty-seven) in thirteen locations (reduced from twenty-four). There are fewer locations than function sites because ICT workshops are co-located with Fleet workshops.

Appraisal Tests

- 4.11 Four tests of this options appraisal are now performed, to test the robustness of the outcome:
- Impact of optimism bias
 - Sensitivity and switching
 - Capital risk
- 4.12 HM Treasury Green Book identifies a systematic tendency for appraisers to be overly optimistic about costs, benefits and project duration; this is termed “optimism bias”. Guidance is provided on adding to the cost and duration of projects being appraised to allow for this. The closest proxy project category for the SFRS support estate is “industrial buildings”. An optimism bias adjustment of between 2 – 24% is recommended for this type of project⁶.
- 4.13 SFRS is building or refurbishing known assets types in locations on sites that are largely owned rather than being procured. All functions note successful precedents in their business cases. Work to date is however high level rather than detailed. A low to medium optimism bias adjustment of 10% is therefore added to all capital costs – new buildings, refurbishment and backlog maintenance – and deducted from capital receipts, in both options. No optimism bias is applied to revenue savings as these are simply costs no longer borne by SFRS rather than estimates of project benefits.
- 4.14 Applying the 10% optimism bias increases the net present cost of Option 1 by 0.36% to £222.8 million and Option 2 by 2.1% to £136.2 million. Overall the gap between option scores is narrowed by half of a percentage point to 50.8% for Option 1 (from 50.8%) and Option 2 remaining at 91.5%.
- 4.15 In terms of sensitivity testing between the options, the fact that Option 2 scores so far ahead of Option 1 on both financial and non-financial appraisals means that the result would not change. For example, Option 2’s end-state running costs from year 5 onwards would need to increase by 98% to move the net present cost marginally above Option 1’s; and that would still leave Option 2 with a 20 percentage point advantage due to the gap in non-financial scoring.

⁶ An additional works duration optimism bias of 1-4% is de minimus for this strategic intent paper and is not applied.

- 4.16 A strategic risk assessment of the project is included with the Chief Officer's *Property Estate – Strategic Intent* paper to the 26th September 2013 SFRS Board meeting.
- 4.17 In estates terms the overall project risk is low, as it involves phased migration to sites which are mainly owned by SFRS, and refurbishment or development of proven building types (except for the Clydesmill accommodation block, the procurement route for which is to be determined).
- 4.18 The principal estates risk lies in the scale and timing of capital receipts and the ability to fund a capital deficit in years 2 and 3. The risks derive from: the property market potentially not meeting expectations for receipts; Scottish Government not permitting SFRS to retain some or all of the receipts, or transferring assets within the public sector at lower value; and SFRS taking longer to rationalise and declare assets surplus than is anticipated here.
- 4.19 The mitigation for these risks would be to use later and/ or lower receipts, and possibly divert backlog maintenance budgets, to deliver a slower transformation to the rationalised estate than the 5 years shown here. This would of course result in a slower decline in revenue costs.

5. Summary

- 5.1 Ryden was instructed by the Scottish Fire and Rescue Service to advise on the strategic intent for the service's support estate following the merger into a single national service from 1 April 2013. The formation of the new service introduces the potential for support estate investment and rationalisation.
- 5.2 The legacy estate comprises twenty-four sites accommodating national training, fleet and equipment, ICT, control and office uses. Business cases for each of the six functions have been prepared by SFRS and used by Ryden to specify and score two support estate options, shown in the table.

SFRS Support Estate Options

Option	Description
1 Do Minimum	Continue to operate from legacy estate. Undertake maintenance and investment as required.
2 Invest-and-Rationalise	Invest, develop, dispose and migrate to a single, fit-for-purpose SFRS support estate.

- 5.3 Option 1 has a net present cost of £222.0 million⁷. Revenue costs remain unchanged, backlog maintenance and future refurbishment are undertaken. There are no new buildings, and only one minor site sale.
- 5.4 Option 2 has a much lower net present cost of £133.4 million. Revenue costs fall substantially, surplus assets are sold and where required new buildings are developed. Much of the backlog maintenance liability is lost.
- 5.5 Option 1 scores 41.5% against non-financial objectives across the six support functions and the estate as a whole. Option 2 scores 83.1%.
- 5.6 A combined⁸ appraisal is emphatic. Investing-and-rationalising under Option 2 has much greater non-financial benefits and costs much less than Option 1. The fit-for-purpose estate is both more effective for SFRS and less expensive. **Option 2, invest-and-rationalise, is the preferred option.** Following investment and rationalisation under Option 2 the estate would comprise seventeen support functions in thirteen locations.

⁷ 30-year cash flow discounted at 3.5%

⁸ Using a 50:50 weighting of net present cost against non-financial scoring

- 5.7 There is a capital requirement in years 2 and 3 to allow selected building and refurbishment projects to happen ahead of other sites being closed and sold. The balance between capital investments and receipts over the first 5 years is a critical area for SFRS in delivering the support estate benefits and achieving the revenue savings identified for the preferred option.
- 5.8 Detailed project planning for each function and the overall support estate will be required to implement this strategic intent, including timing, procurement, funding, development, migration and closures and disposals.
- 5.9 This support estate options appraisal report supports the Chief Officer's *Property Estate – Strategic Intent* paper to the 26th September 2013 SFRS Board meeting.

Ryden
September 2013

SFRS Support Estate Financial Appraisal

Option 1 (do minimum)

		year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8	year 9	year 10	year 11	year 12	year 13	year 14	year 15	year 16	year 17	year 18	year 19	year 20	year 21	year 22	year 23	year 24	year 25	year 26	year 27	year 28	year 29	year 30
Revenue costs:	Running	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023	8023
	NDR	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051	3051
Backlog maintenance costs		-	2980	2980	2980	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>(taken across 3 years)</i>																															
Capital receipts (surplus assets)		-30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital investments (new assets)			no new assets under base case																												
Refurbishment (existing)		-	-	-	-	-	-	1139	1139	1139	1441	-	-	-	-	-	-	-	-	-	-	-	-	1620	1620	1620	-	-	-	-	-
Nominal cashflow		11043	14054	14054	14054	11073	11073	12213	12213	12213	12514	11073	11073	11073	11073	11073	11073	11073	11073	11073	11073	11073	12693	12693	12693	11073	11073	11073	11073	11073	
3.50% Discounted cashflow		11043	13562	13087	12629	9603	9267	9862	9517	9184	9082	7755	7483	7221	6968	6725	6489	6262	6043	5831	5627	5430	6007	5796	5594	4709	4544	4385	4232	4084	3941
Cumulative		11043	24605	37692	50321	59924	69190	79053	88569	97753	106835	114589	122073	129294	136262	142987	149476	155738	161781	167612	173240	178670	184677	190473	196067	200776	205320	209705	213937	218021	221961

Net present cost: £222.0 million

discount factor	1.000	0.965	0.931	0.899	0.867	0.837	0.808	0.779	0.752	0.726	0.700	0.676	0.652	0.629	0.607	0.586	0.566	0.546	0.527	0.508	0.490	0.473	0.457	0.441	0.425	0.410	0.396	0.382	0.369	0.356
-----------------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Option 2 (invest & rationalise)

		year 1	year 2	year 3	year 4	year 5	year 6	year 7	year 8	year 9	year 10	year 11	year 12	year 13	year 14	year 15	year 16	year 17	year 18	year 19	year 20	year 21	year 22	year 23	year 24	year 25	year 26	year 27	year 28	year 29	year 30
Revenue costs:	Running	7433	7363	6447	6013	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002	5002
	NDR	1575	1575	1575	1528	1331	1406	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416	1416
Backlog maintenance		40	858	858	858	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital receipts (surplus assets)		-2845	-2970	-	-10500	-1650	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital investments (new assets)		200	4461	6322	2990	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Refurbishment			977								2444																				
Nominal cashflow		6403	12263	15202	890	4684	6408	6418	6418	6418	8863	6418	6418	6418	6418	6418	6418	6418	6418	6418	6418	6418	6418	6418	6418	6418	6418	6418	6418	6418	10485
3.50% Discounted cashflow		6403	11834	14156	800	4062	5363	5183	5002	4827	6431	4495	4337	4186	4039	3898	3761	4493	4335	4184	3262	3148	3037	2931	2829	2730	2634	2542	2453	2367	3731
Cumulative		6403	18237	32393	33192	37254	42617	47800	52802	57628	64060	68554	72892	77077	81116	85014	88775	93268	97603	101787	105049	108196	111234	114165	116993	119723	122357	124898	127351	129718	133450

Net present cost: £133.4 million

discount factor	1.000	0.965	0.931	0.899	0.867	0.837	0.808	0.779	0.752	0.726	0.700	0.676	0.652	0.629	0.607	0.586	0.566	0.546	0.527	0.508	0.490	0.473	0.457	0.441	0.425	0.410	0.396	0.382	0.369	0.356
-----------------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Function	Existing Sites	Retain	Re-use	Invest	Discontinue	Dispose
National Training	SFSC, Gullane Clydesmill Training Centre	Clydesmill Training Centre		Accommodation at Clydesmill (will appraise options at the time to determine whether to build or outsource)		SFSC, Gullane (including associated houses)
Fleet & Equipment	Cowcaddens, Glasgow Maddiston, Falkirk Newbridge, Edinburgh Blackness Road, Dundee N Anderson Drive, Aberdeen Seafield Road, Inverness <i>(Thornton, Fife discontinued)</i>	Newbridge, Edinburgh Seafield Road, Inverness		New Asset Resource Centres in West and North- East	Thornton, Fife Maddiston, Falkirk N Anderson Drive, Aberdeen Blackness Road, Dundee	Cowcaddens, Glasgow

Function	Existing Sites	Retain	Re-use	Invest	Discontinue	Dispose
ICT	Thornhill, Johnstone Bothwell Road, Hamilton Lauriston Place, Edinburgh Newbridge, Edinburgh Blackness Road, Dundee Brooms Road, Dumfries Maddiston, Falkirk N Anderson Drive, Aberdeen Thornton, Fife Seafield Road, Inverness	Thornhill, Johnstone (Data Centre) Newbridge, Edinburgh Seafield Road, Inverness (Workshop Facilities within Asset Resource Centres)		New Disaster Recovery Data Centre Workshop Facilities within the new West and North- East Asset Resource Centres	Bothwell Road, Hamilton Lauriston Place, Edinburgh Blackness Road, Dundee Brooms Road, Dumfries Maddiston, Falkirk N Anderson Drive, Aberdeen Thornton, Fife	
Control	Brooms Road, Dumfries Thornhill, Johnstone Thornton, Fife Maddiston, Falkirk Tollcross, Edinburgh McAlpine Road, Dundee Mounthooly Way, Aberdeen Seafield Road, Inverness	Thornhill, Johnstone Tollcross, Edinburgh McAlpine Road, Dundee		Upgraded Control Room in Dundee (longer term)	Brooms Road, Dumfries Thornton, Fife Maddiston, Falkirk Seafield Road, Inverness Mounthooly Way, Aberdeen Tollcross, Edinburgh (longer term)	

Function	Existing Sites	Retain	Re-use	Invest	Discontinue	Dispose
Headquarters	Brooms Road, Dumfries Bothwell Road, Hamilton Lauriston Place, Edinburgh Maddiston, Falkirk N Anderson Drive Aberdeen Harbour Road, Inverness Thornton, Fife Blackness Road, Dundee Temporary HQ, Whitefriars Crescent, Perth			New national HQ building within area bounded by Edinburgh, Glasgow, Perth (initial search will consider wider public sector estate)	Brooms Road, Dumfries Bothwell Road, Hamilton Harbour Road, Inverness Blackness Road, Dundee Temporary HQ, Whitefriars Crescent, Perth	Lauriston Place, Edinburgh (will review options to ensure continued public access to heritage assets in Edinburgh) Maddiston, Falkirk N Anderson Drive Aberdeen Thornton, Fife
Service Delivery Area HQ's (other office accommodation for LSO's etc. will be considered at the next stage)			Bothwell Road, Hamilton – West SDA HQ (will keep under review as under-utilised in this capacity) Mounthooly Way, Aberdeen – North SDA HQ	Develop Newbridge to accommodate East SDA HQ		