

Infrastructure Investment Plan for Scotland

A guide to Property
Asset Strategy in the
Scottish Public Sector

August 2022

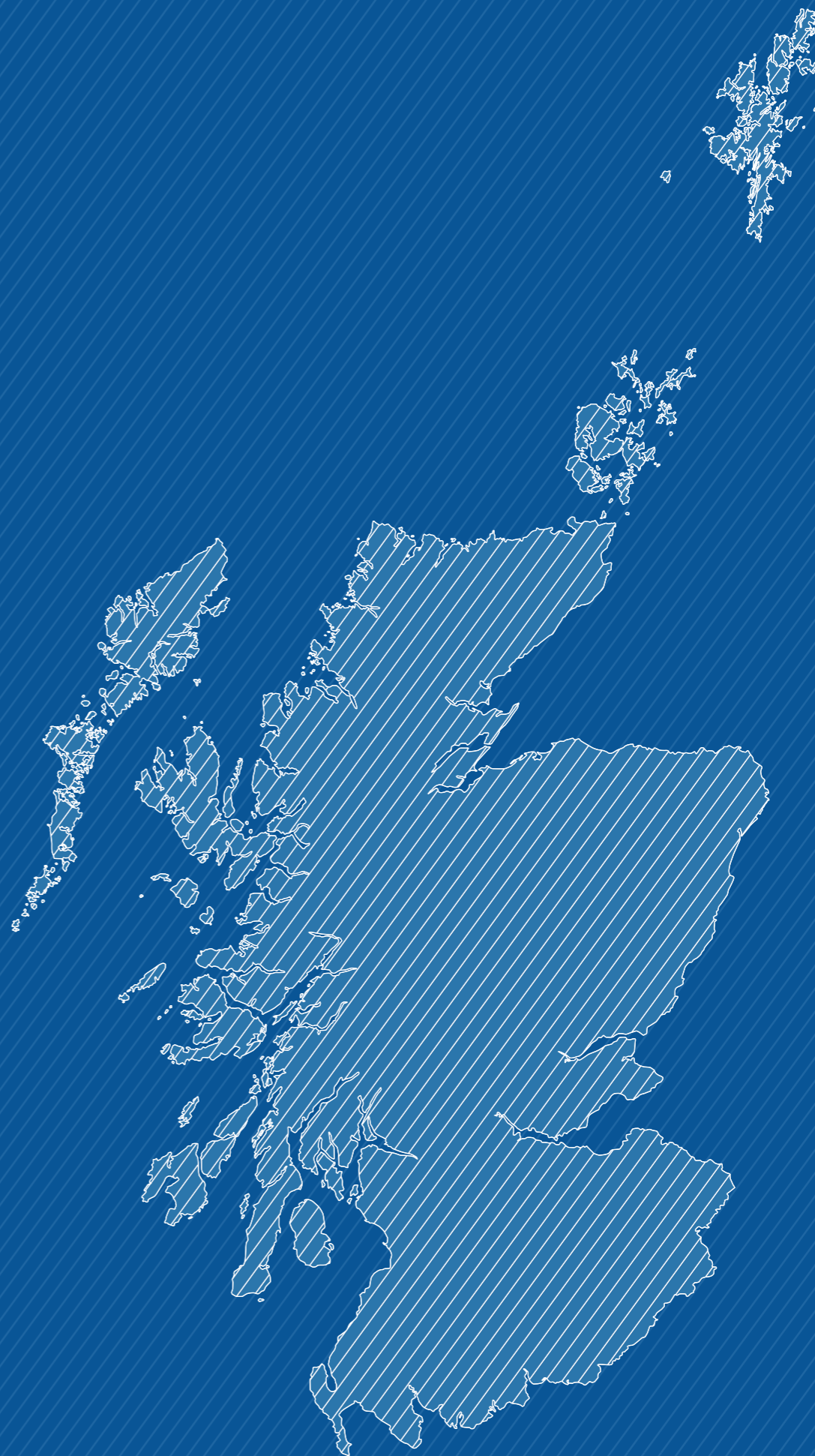


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About the guidance

The Scottish Government's Infrastructure Investment Plan for Scotland 2021-22 to 2025-26 (IIP) sets out a clear vision for future public infrastructure to support and enable an inclusive net zero emissions economy. Underpinning this vision are three themes: enabling net zero emissions and environmental sustainability; driving inclusive economic growth; and building resilient and sustainable places.

Public sector property assets form a large element of our infrastructure. Changing models of service delivery, meeting local needs, learnings from the COVID-19 pandemic and climate change provide a common set of challenges for property asset management in the public sector. There will be difficult choices and trade-offs to deliver outcomes-based decision making and ensure that the right property assets are provided in the right places.

It is therefore essential that we plan systematically to ensure a joined-up approach to needs assessments and investment decisions across organisations, sectors and places.

The 'investment hierarchy' within the IIP provides a common framework to be used across the public sector to aid planning and decision making relevant to both strategic and operational property asset management. This places an emphasis on 'making the most of existing assets', one of the key recommendations of the Infrastructure Commission for Scotland, and the importance of a collaborative place-based approach - both of which will be important in realising climate change targets for public buildings.

This guidance has been written to support the IIP and to ensure public sector organisations are familiar with this new common framework and how they might approach its application when undertaking strategic planning of their property assets.



1. Introduction

Who should read this guidance and why?

This guidance is aimed at all public sector organisations in Scotland owning (or otherwise occupying) property assets and complements other guidance relating to public sector property asset management.

By providing a perspective on strategic property asset management aligned closely to current government policy, the guidance should be of interest not only to those with direct responsibility for strategic asset management but also the following:

- Senior executives within public sector organisations
- Public service leads and managers
- Political leaders
- Community and third sector representatives
- Advisors to the public sector.

The guidance does not advocate a wholesale or comprehensive change in approach to property asset management, but a shift in emphasis to introduce the concepts of a systems approach and application of the investment hierarchy set out in the Scottish Government's Infrastructure Investment Plan 2021/22 – 2025/26 (IIP). By applying these concepts, the user will take a step closer to achieving a truly customer-focused, sustainable, and inclusive property asset base.

Background

At the start of 2020, the Infrastructure Commission for Scotland (ICS) published a Phase 1 Key Findings Report¹. Within 6 months, a Phase 2 Delivery Findings Report was also published². Both reports include a series of recommended actions to deliver an inclusive net zero economy in Scotland. One such recommendation is that the next Infrastructure Investment Plan should set out a prioritised, time-related programme of strategic investment in the country's infrastructure.

The IIP sets out the long term vision for Scottish infrastructure which directly links to the National Performance Framework.

**Infrastructure Vision:
Our infrastructure supports Scotland's
resilience and enables inclusive, net zero
and sustainable growth.**

The other key infrastructure policy, the Fourth National Planning Framework (NPF4), relates to Scotland's spatial strategy and how infrastructure will be distributed. Both the IIP and NPF4 (currently in draft) sign post to each other and together they will direct current and future investment decisions on the why, what and where of infrastructure investment.

The IIP provides a broad definition of infrastructure that encompasses the 'physical and technical facilities, natural and other fundamental systems' to support societal living³. Property is confirmed as falling within the definition of infrastructure by virtue of the extended definition that encompasses 'public infrastructure such as administration, education, health, justice, cultural and other community facilities.'

Although the ICS and IIP take a macro perspective on infrastructure investment by addressing country-wide targets and priorities, they highlight several themes that are equally relevant to strategic property asset management at an organisational and local level. The themes include:

- Decision-making is to be founded on the expected outcomes
- Joined up needs assessments and investment decisions to reflect linkages across organisations, sectors and places
- Integrated assessment of needs must consider asset planning and management among other things
- Shared use of assets should be the norm
- Analysis of opportunities should follow a common methodology.

To inform infrastructure investment decision-making, the ICS recommended that the Scottish Government should require all public sector infrastructure asset owners (e.g., Scottish Government, Local Authorities, NHS Boards, Emergency Services, and Executive Agencies) to prepare asset management strategies.

The role of property assets

Property is an asset class common across public bodies and, for many, is the most significant form of infrastructure owned and operated. Whereas some forms of infrastructure, such as utilities services, exist to provide a direct and immediate benefit to the public, public sector property assets exist primarily as a platform from and within which to deliver services to the public.

While their prime purpose is to enable the delivery of public services, the imaginative use of property assets can make significant direct contributions to being a good place to work, placemaking, regeneration, inclusive growth and achieving net zero carbon. In other words, they can also be a vehicle to put into effect local, regional, and national policies.

Supporting transformational change on service delivery across the landscape of the public sector and beyond is an increasingly important objective of strategic property asset management. The pandemic has shone a light on the long-term need for certain property assets whether that is in terms of their location, scale or configuration. Simultaneously, achieving the Scottish Government's carbon reduction target will require a radical re-assessment of the public sector estate.

Property however, **by its very nature**, can be slow to adapt to changes in public service delivery models, technological advances, and new policies. As a result, it is even more important to plan systematically for the optimum use, reuse, operation and potential disposal or development of property assets.

¹ https://infrastructurecommission.scot/storage/245/FullReport_200120.pdf

² https://infrastructurecommission.scot/storage/276/Phase2_Delivery_Findings_Report.pdf

³ <https://www.gov.scot/publications/national-mission-local-impact-infrastructure-investment-plan-scotland-2021-22-2025-26/>

2. A Systems approach

Context

Over a decade ago, the Christie Commission put forward a series of recommendations for the reform of public service delivery in Scotland⁴. One such recommendation was that 'public service providers must be required to work much more closely in partnership, to integrate service provision and thus improve the outcomes they achieve.' It continued by recommending that *'the whole system of public services – public, third and private sectors – must become more efficient by reducing duplication and sharing services where possible.'* The words in italics reflect the original report and confirm that inter-connectivity, a backbone of systems thinking, had been recognised as a critical success factor.

In 2020, the Infrastructure Commission's Phase 1 Key Findings Report incorporated several appendices, one of which highlighted the need for system-wide thinking to support effective decision-making and the prioritisation of projects.⁵

In the same year, the OECD reported on the need for a new way of addressing global policy challenges. It warned that, '...unless we adopt a systems approach, unless we apply systems thinking, we will fail to understand the world we are living in.'⁶ A key message is that the application of systems thinking will bring into focus crucial linkages between issues that are generally treated separately within institutional silos.

The IIP vision for Scotland's infrastructure is underpinned by three inter-connected themes as illustrated in Figure 1:

Property asset management and a systems approach

Recent good practice guidance on public sector property asset management, such as the RICS 2021 publication Strategic Public Sector Property Asset Management⁷, also stresses the need to fully understand and respond to an organisation's wider environment.

A systems approach and the concept of systems engineering recognise that the strategy to be developed, issue to be explored or problem to be solved must be set in context and follow a systematic approach. While the approach and concept are not new, their application to property asset management requires a certain mindset, pattern of behaviours, culture and skillset to achieve the following:

- Collaborative approach within and across organisations and sectors to goal setting and asset management initiatives
- Recognition of dependencies and connectivity
- An understanding of value in the eyes of the users of assets
- Measurement of success and performance in terms of outputs and outcomes achieved
- A holistic digital and information management strategy for asset management that aligns to corporate objectives and supports improved data led decisions.

The perspective to be taken is multi-dimensional looking across:

- Life cycle of assets – from planning and prioritisation of investment, through use, to eventual disposal or redevelopment
- Location – local, regional and national plans and policies
- Organisations – the asset owner or occupier, and the many other organisations it depends on, works with and influences.

Strategic property asset management sits at the intersection of these overlapping dimensions.

Property asset management decisions have intended and unintended consequences. Similarly, decisions taken outside of the property asset management 'domain' within an organisation, and decisions taken outside of the organisation, can impact on the suitability of the asset base for public service delivery. Dependencies and inter-relationships need to be appreciated to effectively deliver desired outcomes.

A systems approach is relevant to both strategic and operational property asset management. The components of a systems approach can be mapped across to practical recommendations and implications for property asset management at the two levels as explored later in the document.

Figure 1:
Three infrastructure themes



⁴ <https://www.gov.scot/publications/commission-future-delivery-public-services/>

⁵ https://infrastructurecommission.scot/storage/245/FullReport_200120.pdf

⁶ <https://www.oecd.org/publications/systems-approaches-to-public-sector-challenges-9789264279865-en.htm>

⁷ <https://www.rics.org/uk/upholding-professional-standards/sector-standards/real-estate/strategic-public-sector-property-asset-management-3rd-edition/>

3. The investment hierarchy

The origins of the investment hierarchy can be traced back to the Infrastructure Commission for Scotland (ICS) Phase 1 Key Findings Report, but it is the IIP that expresses in words and graphically how it may be applied in practice.

The purpose of the investment hierarchy is to aid planning and decision making in infrastructure investment, providing a common methodology to be used across the public sector.

The investment hierarchy places an emphasis on the investigation and prioritisation of existing assets as platforms from which to deliver services in the future, reflecting one of the key recommendations in the first ICS report. While

doing so, the IIP is also pragmatic about the limitations or constraints that may exist when attempting to align existing assets to future needs – it is stated that ‘...there may well be circumstances where replacement assets are a requirement.’

Where replacement is the preferred option, it is important to have a planned approach to the disposal/alternative use of surplus assets and take steps at an early stage to avoid lengthy holding costs or the asset falling into disrepair and impacting on value.

Additional emphasis is placed on the multi-use of assets with a presumption against the

construction of new, single organisation/purpose assets.

When applying the investment hierarchy to property assets, it is recommended that four core tasks are undertaken as illustrated in Figure 2:

Practical application of the investment hierarchy

Property is one of many forms of infrastructure and there is a need for a full awareness of the circumstances, options, operational suitability, constraints and other features that influence the application of the investment hierarchy to property assets. These include:

Title, Contractual and Statutory

Title to an asset, the provisions of a lease or other contractual arrangements of a Public Private Partnership (PPP) for example can affect the scope to continue using an asset in a way that meets current or future operational requirements. Changes may require planning permission and other consents, such as listed building consent. Early engagement with relevant bodies is recommended to inform asset planning.

Physical

The scale, design and configuration of an asset may render it unsuitable for operational requirements e.g., it may be too small or configured in a manner that doesn't support the proposed operating model without significant investment and disruption to the current users.

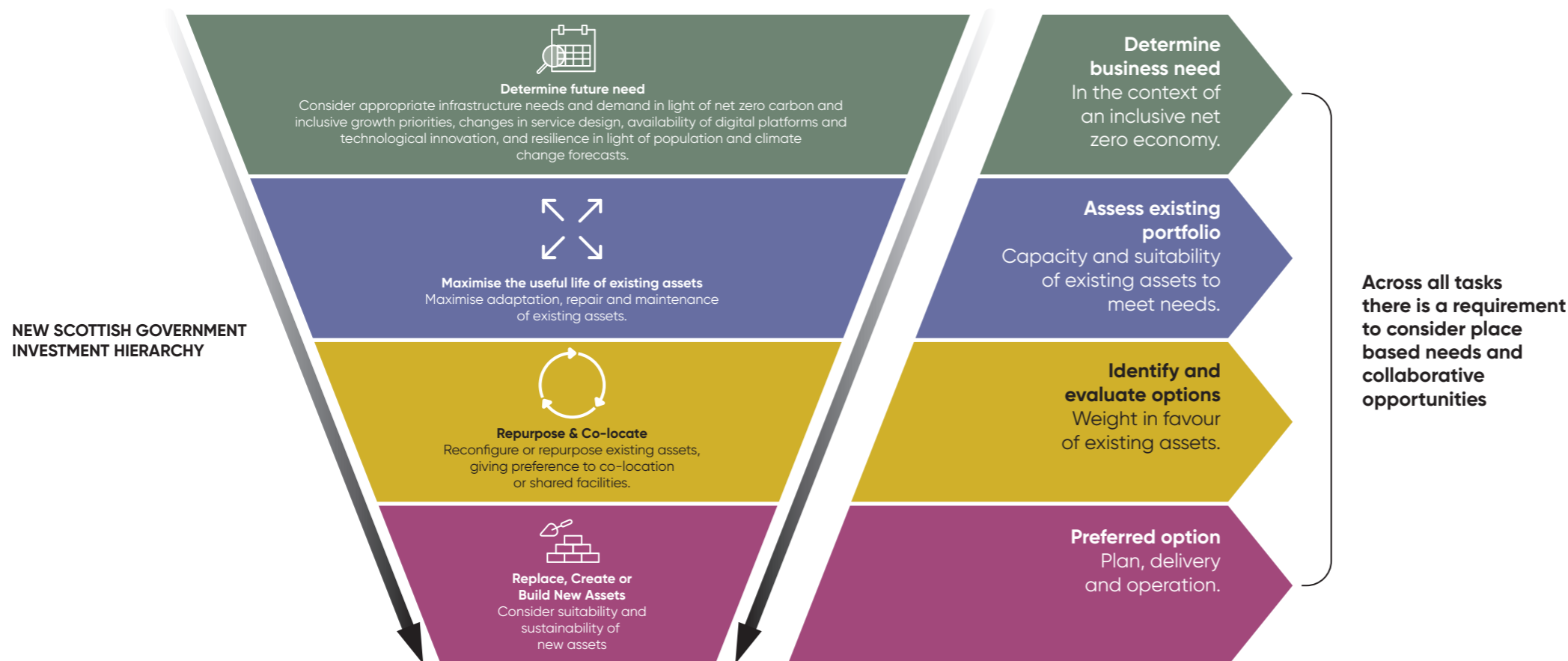
In addition, the location of an asset may no longer be appropriate due to the evolution of a community, transport networks, surrounding development or the local economy.

Property asset portfolios

Property assets rarely provide services in isolation of services delivered from other assets – typically, every property asset is part of a network of assets delivering an integrated set of services. The optimum solution for any particular asset must therefore be arrived at with due regard to the future of other related assets and the service models supported.

The above property asset characteristics require those identifying and appraising options to apply an additional layer of considerations when reviewing the use of existing assets. An outcome of a wider consideration may be the realisation that an existing asset, while in good condition and highly sustainable in its operation, is incapable of being used to meet future service needs for one or more reasons.

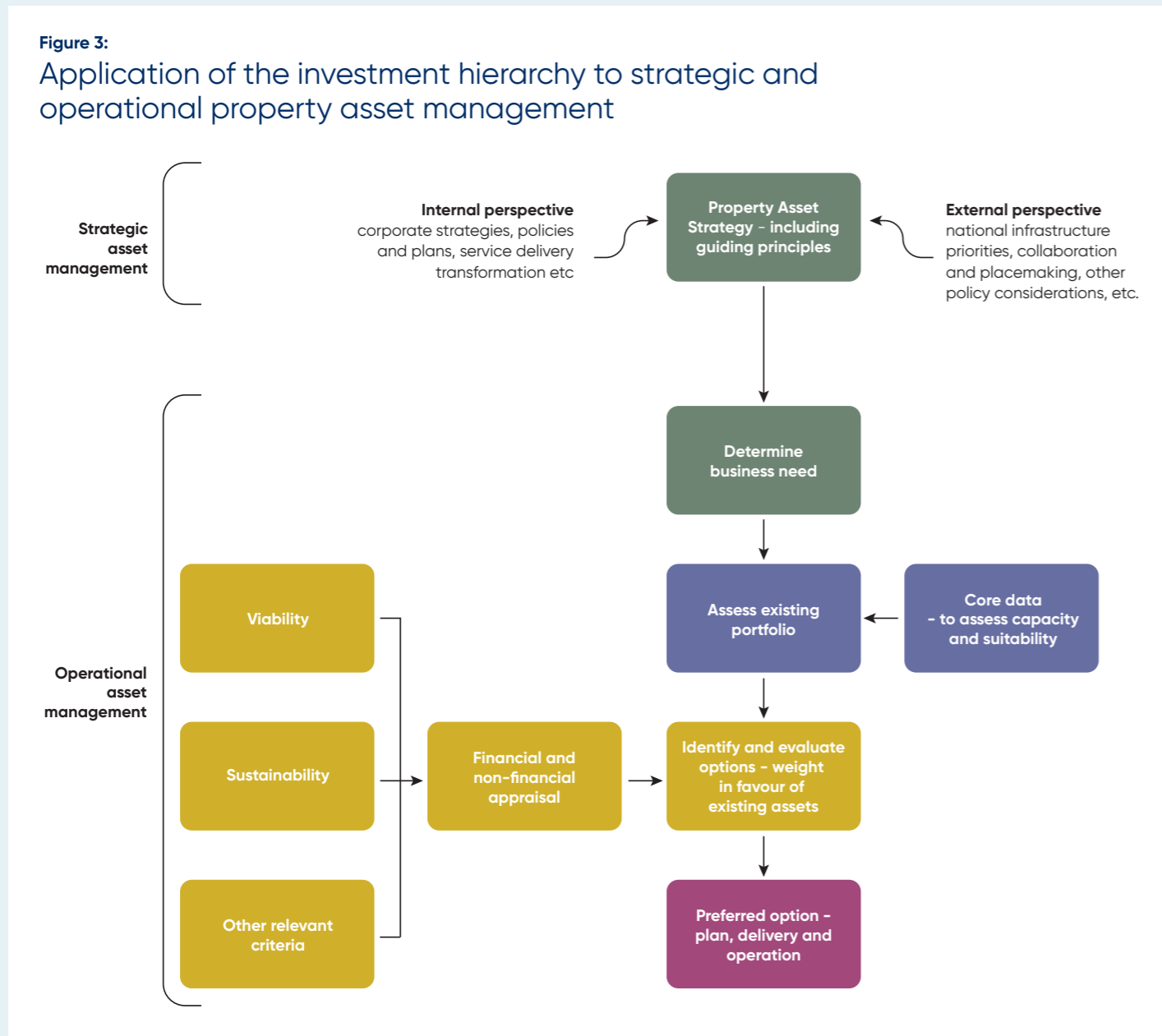
Figure 2: Application of the investment hierarchy



4. Application of the investment hierarchy to property asset management

This section of the guidance considers how the investment hierarchy works across, informs and connects strategic asset management planning and operational asset management or individual programme or project appraisal. This is illustrated in Figure 3.

The 'spine' of Figure 3 has parallels to the investment hierarchy as demonstrated below:



Strategic: Property Asset Strategy – including guiding principles

Detailed guidance on the format and content of a Property Asset Strategy has been prepared by various professional bodies – see Section 6 for further reading that includes RICS Strategic Public Sector Property Asset Management guidelines and CIPFA Strategic Property Asset Management Framework.

A public sector Property Asset Strategy should reflect the inverted triangle of the investment hierarchy by setting a context within which future needs are assessed. The creation of a Property Asset Strategy requires:

- An internal perspective to identify and draw on relevant corporate strategies and policies – for example, scoping out the opportunities afforded by IT-enabled service delivery models and the generation of new income streams from existing assets
- An external perspective to identify relevant government policies, initiatives and local issues – for example, identifying opportunities to work with partners to support communities and localities - taking a place-based approach.

With the benefit of the dual perspective, the Property Asset Strategy should include a set of **guiding principles** to act as a framework for decision-making.

They will provide a direction of travel for the organisation and are set at a high level rather than being property specific. Increasingly they should relate to issues such as those set out within Figure 4:

Figure 4:
Property Asset Strategy – Guiding principles



4. Application of the investment hierarchy to property asset management (continued)

Operational: Programmes and Projects

The stages for a programme or project and the application of the investment hierarchy are summarised below:

Stage 1: Determine business need

The factors that shape the Property Asset Strategy and the guiding principles may be equally relevant to shape the business need for a proposed programme or project, albeit those factors are explored and reviewed in finer detail.

Other factors are also likely to come into play to inform an assessment of business need such as:

- Demographic changes
- Scope to introduce or extend digitally enabled service delivery
- Impact of hybrid working on the workplace strategy
- Opportunities to collaborate with a particular partner on a particular initiative, such as integrated service delivery or service re-design
- The extent of use and user satisfaction and fitness for purpose of a specific asset
- Specific local opportunities for placemaking
- Political priorities at a local level.

A business need that lacks evidence or appears to be driven by a specific property solution at this early stage in the process should be subject to challenge.

The business need should be expressed in terms of outputs and outcomes to be delivered rather than a 'bricks and mortar' solution.

Stage 2: Assess existing portfolio

Understanding the existing property asset portfolio is a critical activity in the application of the investment hierarchy. This requires consideration of the capacity and suitability of existing assets to meet future needs.

In addition to traditional aspects such as size, tenure, use, condition etc, there are a range of additional drivers that are increasingly important to ensure the 'core data' is available to assess an existing property asset portfolio. These include:

- Sustainability and climate change – understanding the potential interventions, both building fabric and heat source, together with the investment required to support improved environmental performance and net zero carbon emissions
- Use of technology – sensors, building information modelling (BIM) and digital twins provide a range of data to better understand how assets are being used and perform
- Adaptability – changing service delivery models may render whole or part of existing assets surplus to requirements, such as the impact of hybrid working. It is important to understand the adaptability of an asset for alternative uses and the potential for collaboration and co-location with partners and the community

- User satisfaction and wellbeing – whilst supporting and enhancing health and wellbeing should form part of a wider organisational strategy, the design, use and location of the workplace can play a positive role. There are a range of industry standards, such as WELL and Fitwell, various toolkits and the use of regular workplace surveys which can all provide a broader assessment of asset performance.
- Social and cultural value – the Covid-19 pandemic has highlighted the value and benefits that an asset can provide to a community. There are a range of useful guides on this aspect, such as the UKGBC Framework for Defining Social Value, and more recently Historic Environment Scotland has developed the Sustainable Investment Toolkit to help enable decision making for projects and investment in built heritage.

It is important to consider how these additional data sets can allow easy co-ordination and analysis with existing property data as part of a digital and information management strategy. Further guidance on data management is provided in Section 5 Enablers.

4.
Application of the investment hierarchy
to property asset management (continued)

Stage 3: Identify and evaluate options

Options must be identified with the benefit of a comprehensive dataset and suite of performance indicators on the existing assets. The strengths, weaknesses, opportunities, and limitations inherent in the existing assets must be exposed at this point. If relevant to meeting future needs, this is the appropriate time to consider the characteristics of existing assets of partners that could be shared.

A full suite of potential options, including new assets, should be identified in such a way that they can be appraised simultaneously and on an equal footing. In all instances, one or more options involving the reuse of existing assets should be explicitly identified and described.

Depending on the nature and complexity of the project, this stage may comprise the preparation of a formal business case following the 5-case model. The approach set out in HM Treasury 'Green Book' should be followed to ensure that proposals show a robust case for change, optimise value for money, are commercially viable and financially affordable and can be delivered successfully.

Equally, a project may entail a less formal evaluation of the option but, in all circumstances, it is recommended that a range of financial and non-financial evaluation criteria are adopted. The non-financial criteria may relate to the service-related, socio-economic, and environmental 'performance' of each option. The criteria should be linked to the overarching objectives, priorities and guiding principles established in the Property Asset Strategy.

Priority should be given to the reuse of existing assets in the options appraisal methodology by, for example, ensuring the whole life carbon and costing of options are assessed and that these criteria are given due weight. It should be noted, however, that a new build may have a lower whole life carbon measure compared to an existing building, particularly if a smaller asset can be provided with technology, systems and building materials selected for the contribution to net zero carbon.

Stage 4: Preferred option – plan, delivery and operation

Identification of the preferred option(s) is a key output of the appraisal process. This should be supported by an action plan, risk register, delivery strategy and governance arrangements as a minimum.

The planning and delivery stage should consider opportunities to support community wealth building, for example, when undertaking procurement, consider use of local supply chains, where appropriate, and suppliers that promote good employment practices. Embedding the principles of the circular economy throughout the design and construction in terms of choice of products, materials and processes should also be promoted.

As more shared occupation among partners becomes the norm, facilities management models will need to be tailored to address the needs of multiple occupiers and appropriate occupation agreements put in place.

With an increasing focus on outcomes and evidence-based decisions, a robust approach to evaluation and performance is required to assess the delivery of the expected outcomes identified within the programme or project business case. This includes not only technical and environmental performance, but the full range of outcomes within a benefits realisation plan.

Feedback and lessons learned should then inform future versions of the Property Asset Strategy.

Summary

A systems approach and the application of the investment hierarchy do not require existing methodologies to be abandoned – they simply require a different approach to be adopted that identifies and factors in:

- The inter-dependencies and networks within the landscape of public service delivery
- Data from multiple sources, some of which will not necessarily be held on established property asset management systems
- The potential benefits to the community and the achievement of carbon reduction targets that can arise from the imaginative reuse of existing assets
- A deep understanding of the breadth of outcomes and added value that can be supported through effective strategic property asset management.

The context of strategic and operational property asset management is diverse and complex, and to an extent is specific to each public sector organisation. Despite this reality, there are common threads linking the contexts of all such organisations.

Application of the investment hierarchy provides a consistent framework to aid planning and decision making in strategic and operational property asset management.

5. Enablers

The delivery of efficient and effective property asset management is contingent on the presence of a series of enablers. The enablers in Figure 5 are particularly relevant in adopting a systems approach and application of the investment hierarchy.

Figure 5: Asset strategy enablers



Leadership, governance, and culture:

- To use positional authority as a means for creating new governance structures, aligning objectives, and prioritising investment within and across organisations
- To create a culture that fosters trust and reciprocity, and make collaboration the norm
- To facilitate and drive effective collaboration across services and assets, and harness the resources of the public, private and third sectors
- To develop shared outcomes, and agree clear lines of responsibility and accountability for delivery.



Collaborative asset management:

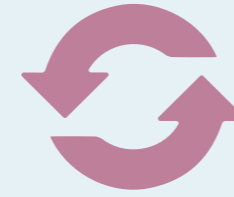
- To identify opportunities for collaborative use of assets and translate opportunities into reality
- To operate within frameworks, governance and funding structures that align objectives across organisations
- To share data and knowledge that support co-investment decision-making across organisations
- To create simple but effective asset management models for sharing space
- To foster a collaborative contract management approach in PPP and Non-Profit Distributing projects.

5.
Enablers (continued)**Data and Digitisation:**

- To supplement data on buildings and their performance, such as operating costs, condition, utilisation and fitness for purpose, with data on user needs and satisfaction, carbon emissions, outcomes achieved, and contributions made to inclusive growth
- To develop an organisational digital and information management strategy that co-ordinates existing asset management systems & data sets (e.g ePIMS) and set out a roadmap for development to enable new insight, resilience and efficiencies
- To develop needs led performance metrics and measurement profile of assets that align to corporate objectives
- To effectively manage the security of property-related data
- To harness technology that supports the real time measurement of asset performance and utilisation e.g., sensors and building management systems.

**Project appraisal and business case:**

- To apply a common methodology when appraising projects
- To reflect the investment hierarchy and maintain a focus on expected outcomes when identifying and appraising options
- To apply discounted cash flows, benefit-cost ratios and other appraisal tools that capture the financial and wider social, environmental and economic impacts
- To apply a rigorous approach to the prioritisation of projects within and between organisations.

**Whole life:**

- To recognise the importance of investment in repair, maintenance and improvement to prolong asset life, improve suitability for current uses and adaptability for future uses
- To capture the expected capital and revenue costs (and benefits) over the life of an asset or project
- To assess and measure embodied and operational carbon emissions of assets to inform investment decisions
- To consider a whole life performance measurement regime that incorporates a holistic impact and the value of assets across social, commercial, environmental and operational performance.










**Change:**

- To understand alternative approaches to service design and the impact on asset requirements
- To facilitate new methods of service delivery and integrated delivery models, exploiting technology and digitisation for resilience where possible
- To help embed new methodologies such as the Place Standard approach in decision-making
- To apply placemaking skills and public engagement expertise to respond effectively to changing community requirements.

6. Further reading and support

Further reading

The recommendations for further reading comprise a blend of policy, guidance and good practice from Scottish Government, other public sector organisations and various representative bodies.

-  **National Performance Framework**
Scottish Government
-  **The Scottish Approach to Service Design**
Scottish Government, 2019
-  **Place Principle**
Scottish Government, 2019
-  **Infrastructure Investment Plan for Scotland 2021/22 – 2025/26**
Scottish Government, 2021
-  **The Green Book – Central Government Guidance on Appraisal and Evaluation**
HM Treasury
-  **Net Zero Public Sector Buildings Scotland**
Scottish Futures Trust, 2021
-  **Strategic Public Sector Property Asset Management**
RICS, 2021
-  **Strategic Property Asset Management Framework**
CIPFA, 2018
-  **Place Guide: A process for improved Place-based decision making**
Scottish Futures Trust, 2021
-  **Net Zero Estate Playbook**
Government Property Function, 2021
-  **Public Engagement on Infrastructure**
Scottish Futures Trust, 2021
-  **Scottish Capital Investment Manual**
NHS Scotland
-  **Historic Environment Policy for Scotland**
Historic Environment Scotland, 2019
-  **Framework for Defining Social Value**
UKGBC, 2021

Support

More information and support to Scottish public sector organisations on the application of this guidance is available from Scottish Government and Scottish Futures Trust.

Public sector property policy, standards, and associated guidance and advice is available from Scottish Government Property and Construction Division (PCD). Scottish Futures Trust works closely with Scottish Government in supporting the public sector to adopt best practice in asset strategy.

Public bodies subject to the Scottish Public Finance Manual can also find further information [here](#).

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