

Agenda Item	4
Report No	RDB/6/21

HIGHLAND COUNCIL

Committee: Redesign Board

Date: 8 November 2021

Report Title: Property Asset Rationalisation

Report By: Executive Chief Officer Property & Housing

1. Purpose/Executive Summary

- 1.1 Following on from a Redesign workshop on 14th October 2021, the purpose of this report is to present for consideration and approval the approach, current progress, and next steps in relation to Property Asset Management. The list of properties identified in **Appendix 1** were also presented to Members during the October workshop.
- 1.2 Highland Council property assets exist to support the delivery of services to the public and should be fit for purpose, compliant and well utilised. The key drivers that require the review of property assets held by the Council are:
- Implementing flexible work styles/spaces that enable improved wellbeing for staff
 - Enabling colocation and partnership working, to improve access and service delivery to the community
 - Carbon Neutral Strategy
 - Ensuring the Council's property strategy is linked to its corporate objectives and plans
 - Aligning the Council's property portfolio with changing service delivery models
 - Improving property condition in the context of limited budget
 - Ongoing Budget Pressures
- 1.3 Comprehensive, accurate and validated property performance data is key to effective Asset Management. The refresh of property data includes a rolling programme of targeted Condition Surveys and the development of Concerto, a cloud-based property asset management database which was launched in February 2021 (see **Appendix 2** for condition survey and Concerto Update).
- 1.3.1 These initiatives will take time to complete and, in the meantime, manually collating a full property dataset would likely take significant time and resource, and the data resulting from that piece of work would be a snapshot in time that will very quickly become out of date.

1.4 The key themes discussed at the Redesign workshop on 16th September 2021 included suggestions for properties to target, carbon considerations, investigating mothballed properties for quick wins, the need for a holistic and strategic approach, the importance of using local knowledge and challenging services based on the strategic vision.

1.4.1 These themes were taken into consideration and formed the basis of the presentation to Redesign workshop on the 14th October. The following sections outline the strategic approach proposed, what is being progressed now (including the initial list of properties for potential review) and next steps that were discussed at the October workshop.

2. Recommendations

2.1 Members are asked to consider and approve the list of offices in scope for review and potential rationalisation as set out in **Appendix 1**.

2.2 Members are asked to consider and approve the strategic approach to the review and rationalisation of the Councils Office Portfolio as set out in this report.

3. Implications

3.1 Resource

The following fixed term posts have now been filled:

- 1 Project Manager (NWOW),
- 2 Project Managers (Asset Management),
- 1 Strategic Business Analyst,
- 1 Property Manager (Asset Management),
- 1 HR Officer and
- 1 HR Business Partner, who will support the New Ways of Working Project and Asset Rationalisation work to be undertaken.

3.2 Legal

There are no Legal implications identified.

3.3 Community (Equality, Poverty and Rural)

Asset rationalisation and New Ways of Working will help provide an asset mix that supports the delivery of local services.

3.4 Climate Change / Carbon Clever

A summary regarding Corporate Net Zero compliance is set out in **Appendix 3**.

3.5 Risk

A summary of risks and issues associated with the Asset Rationalisation project are set out in **Appendix 4**.

3.6 Gaelic

There are no Gaelic implications identified.

4. Strategic Approach – Hub and Spoke

4.1 Asset Rationalisation requires to be progressed despite the constraints of the current lack of data while Concerto is in development. The NWOW project has presented a clear opportunity and starting point within the office estate as the implementation of agile working will create capacity in hub offices and allow for the review and rationalisation of satellite offices.

A targeted review of data held for the in-scope satellite offices will be progressed over the coming weeks; this review will inform the future direction of asset retention or disposal. Targeting specific properties that support the delivery of the hub and spoke model aligns with our strategic approach to rationalising the estate.

4.2 Adopting a strategic approach to how we tackle asset rationalisation in the period leading up to the completed development of the Concerto system will allow us to achieve the following:

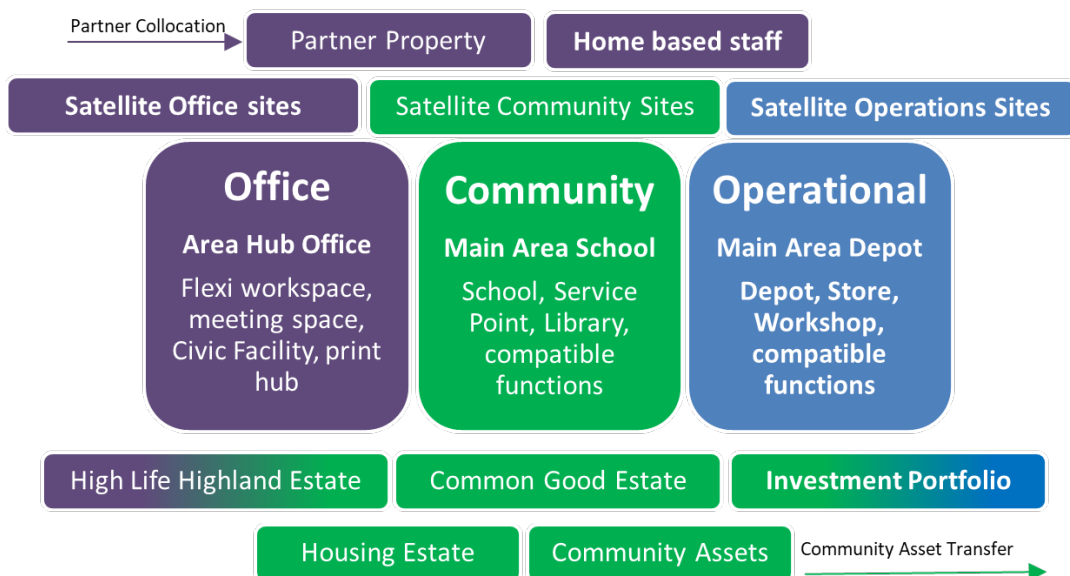
- Link shorter term AR projects to the ambitious, sustainable, connected agenda
- Create and work towards a positive vision of a future property estate
- Focus on creating benefit rather than rationalisation only in the context of savings
- Address the lack of a full dataset and resource time to manually gather data
- Schedule property reviews to coincide with completion of condition surveys

4.3 The hub and spoke approach focus on creating benefit for staff, communities, and service delivery through the creation of area hubs, relocating staff and services into them and repurposing or disposing of surplus assets.

4.3.1 The main hubs in each Council area would include an office hub, a community hub (likely a school) and an operations hub (likely a depot). This place-based approach would be a journey of continuous incremental change and is not a one size fits all model.

4.3.2 The focus of this approach is reducing the estate, improving condition, increasing collaboration between services/partners, addressing emerging Corporate Net Zero responsibilities, and improving community access to essential services and achieving savings. This approach would require strategic decisions on what the area hubs should look like, what services should be delivered from the hubs, where are the priority areas to target within the estate, how savings targets are to be profiled and what are the priority considerations for property reviews.

4.4 The following diagram illustrates the hub and spoke concept and highlights the different areas of the property estate.



- 4.5 Underpinning the hub and spoke strategy and future property reviews will be test questions that ensure decisions are aligned to corporate objectives. These questions will be the foundation on which asset rationalisation business cases are developed. The proposed questions are as follows:
- Does it reduce our property related environmental impact?
 - Does it align to a place-based approach that supports community wellbeing?
 - Does it retain or improve service delivery?
 - Does it improve working environment or arrangements for staff?
 - Does it improve effectiveness of our retained estate?
 - Does it better utilise existing assets to generate property efficiency savings?
 - Does it achieve the best value threshold?
 - Does it eliminate the current underutilisation of space?
 - Does it fit our Ambitious, Sustainable and Connected objectives?
- 4.6 The hub and spoke strategy seeks to deliver on the Councils aim to be Ambitious, Sustainable, Connected and is aligned to the Councils Programme 'Local Voices/Highland Choices 2017-2022'. The Council programme states the Council will:
- put our communities at the heart of the design and delivery of services at a local level
 - work collaboratively to drive economic growth and champion innovation
 - address the financial challenges with a positive vision of change
- 4.6.1 The hub and spoke strategy also seeks to deliver on the Property and Housing Service Plan improvement actions which include:
- reduce the number of property assets that the Council holds in its property portfolio
 - maximise the use of available office space to meet the Councils new ways of working objectives
 - reduce Council carbon emissions (tonnes CO₂)

If approved, this concept will require to be further developed to include a vision and action plan.

5. Asset rationalisation update – What we are progressing now

- 5.1 Leases - The Council operates on a presumption to terminate leases. However, there are several leased properties that have previously been reviewed with no suitable, affordable alternative being identified at that time. In consultation with the Estates Team, it is suggested that the Council enter negotiations regarding all leases due to expire and seeks to receive more favourable terms in parallel to property reviews looking to identify alternative options. The board should have oversight on each lease review to understand, consider, and mitigate any associated risk.
- 5.2 Mothballed/vacant property - Approximately 21 properties were classified as vacant or mothballed in the Concerto data extract. A piece of work has been started to further investigate these properties to confirm their status and seek to expedite disposals wherever possible and appropriate.
- 5.3 Corporate Landlord - Implementing and embedding the Corporate Landlord model will achieve a consistency of approach to the management of Council property assets. It will address inconsistencies and inefficiencies arising from the current management of assets, which up to now has rested within individual Council services. It will deliver a better understanding of the property estate and associated costs. The further development and embedding of this model will allow the Council to capture all opportunities to achieve savings from decisions related to property.

- 5.4 NWOW- Office Rationalisation - The initial focus for asset rationalisation linked to the new ways of working project is to be office accommodation, this is essential to create increased capacity in the nine hub offices thus enabling increased agile working. From the Property system Concerto, there are 60 general fund offices and from these we have identified 16 offices to be retained, 16 to be reviewed, 15 that have no data and 13 that are misclassified (either disposed of or not currently being used as office accommodation).
- 5.4.1 The 16 offices proposed for review can be seen at **Appendix 1**, along with indicative timescales for the first 10 to be reviewed. It is important to note that full property reviews must be undertaken, the results of which should not be pre-empted. The test questions will ensure that all properties are evaluated and decisions on future repurposing or disposal align with corporate aims, staff wellbeing, service delivery improvement, community benefit, carbon neutral strategy, and financial best value.
- 5.5 Partnership opportunities - THC are in confidential discussions with NHSH to take a joint approach to property and asset management. The key to the approach is seeking to make the best possible use of each organisation's existing property portfolio in preference to spending capital on new buildings. There is a strong body of evidence that almost all services better meet the needs of their users when provided this way.
- 5.5.1 Therefore, focusing on the use of buildings that can do this will make such benefits available to people living in the Highland area now and increasingly into the future. Whilst discussions are in concept development, progress of asset rationalisation may present an opportunity to accelerate the pace of the partnership development and agreement, subject to further discussion.

6. Next Steps

- 6.1
- Agreement by members on the outlined approach and list properties in scope for review to move into the consultation stage
 - NWOW project – vision agreement, agile working implementation
 - 16 in scope offices – data gathering, prioritisation, consultation
 - Vision/strategy development including policy review and action plan










Designation: Executive Chief Officer: Property & Housing








Date: 01 November 2021

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Appendix 1 – NWOV-AR Offices for Potential Review and Initial Timeline

Please note: offices in scope (if agreed) would as standard be subject to a full property review including consultation with all stakeholders, data gathering, options appraisal, whole life financial appraisal and development of a business case prior to delivering the eventual outcome as agreed.

Property Image	Property Information
	<p>HC 01385 Dochfour Hutted Accommodation (Inverness) Revenue Budget: £64k Estimated Market Value: £50k Challenges: Includes training rooms, significant storage, team reluctant to relocate Approx. No. of Staff: 52 Opportunity: Staff to area hub, utilise hub chamber/committee rooms for some training but a dedicated space will also be required, digitisation to address file storage, off site storage for equipment, release site for redevelopment</p>
	<p>HC 00672 Culcabock Child Guidance Centre (Inverness) Revenue Budget: £10k Estimated Market Value: £400k Challenges: Staff require close parking, includes training rooms Approx. No. of Staff: 15 Opportunity: Staff area hub or create service hub, release site - planning permission on site for housing dev</p>
	<p>HC 00676 High Life Highland Office Ardross St (Inverness) Revenue Budget: £15k Estimated Market Value: £375k Challenges: HLH consultation Approx. No. of Staff: TBC Opportunity: HLH to Town House or Castle Wynd located by Museum & Castle development, release site for sale</p>
	<p>HC 04172 Nairn Finance Office (Nairn) Revenue Budget: £7k Estimated Market Value: £60k Challenges: Social Security Scotland lease a desk, securing space in hub office Approx. No. of Staff: 12 Opportunity: Staff/partner to hub office, release site for sale or repurpose</p>
	<p>HC 03595 Macleod House – Fodderty Way (Dingwall) Revenue Budget: £80k Challenges: Part occupied by NHS, file storage, investment property Approx. No. of Staff: 50 Opportunity: Staff to hub office, release to let externally</p>
	<p>HC 01378 Dingwall Portacabin (Dingwall) Revenue Budget: HRA (£4,653) Estimated Market Value: £20k Challenges: current budget recharged to HRA Approx. No. of Staff: 30 Opportunity: Staff to hub office, release site to repurpose or sale</p>
	<p>HC 00781 Dingwall High Life Highland (Dingwall) Revenue Budget: £2.5k Estimated Market Value: £100k Challenges: HLH Consultation Approx. No. of Staff: TBC Opportunity: HLH to hub office or Inverness HLH office</p>
	<p>HC 02858 Inverness Town House and Service Point (Inverness) Revenue Budget: £418k Challenges: Service Point, Partners (Police/Fire), Common Good loss of income Approx. No. of Staff: 100 Opportunity: Staff to hub office, let externally or alternate use (commission study on opportunities)</p>
	<p>HC 03506 Thurso Burgh Chambers (Thurso) Revenue Budget: £11k Estimated Market Value: £55k Challenges: Service Point, Common Good property Approx. No. of Staff: 10 Opportunity: Office staff to area hub, SP solution to be developed, let externally, or redevelop</p>

	<p>HC 03654 Tain County Buildings (Tain) Revenue Budget: £90k Challenges: Service Point, hub office is a distance away Approx. No. of Staff: 5 Opportunity: SP to school (community hub?), release to sell or repurpose</p>
	<p>HC 01397 Culduthel Criminal Justice Office (Inverness) Revenue Budget: £34k Estimated Market Value: £275k Challenges: Includes workshop/store attended by service clients Approx. No. of Staff: 20 Opportunity: Staff to hub office, workshop/store solution to be developed, release site for sale or redevelopment</p>
	<p>HC 00985 Trading Standards Office (Inverness) Revenue Budget: £59k Estimated Market Value: £800k Challenges: Includes office, store, workshop, court store, The Bridge workshop Approx. No. of Staff: 60 Opportunity: Office staff to hub, solution for workshops to be developed, interest in site so highly likely to sell</p>
	<p>HC 01383 Tain Social Work Office (Tain) Revenue Budget: £15k Estimated Market Value: £95k Challenges: File storage, hub office is a distance away Approx. No. of Staff: 30 Opportunity: Staff/function to hub office or school, release for sale or repurpose</p>
	<p>HC 04429 Dingwall Offenders Office (Dingwall) Revenue Budget: £34k Challenges: Lease expiry 2023 Approx. No. of Staff: 15 Opportunity: Staff to hub office, exit lease</p>
	<p>HC 06957 Offices Storage 4c Dalfaber Drive (Aviemore) Revenue Budget: £35k Challenges: Lease expiry 2025, storage Approx. No. of Staff: TBC Opportunity: Staff to hub office, storage solution to be developed, exit lease</p>
	<p>HC 06101 Criminal Justice Services – Unit 8K2 (AIness) Revenue Budget: £31k Challenges: Includes workshop/store attended by service clients, Investment property Approx. No. of Staff: TBC Opportunity: Staff to hub office, workshop/store solution to be developed, release site to let externally</p>

Property	Operational Revenue Budget	Estimated Market Value	Indicative timescale to review/ vacate property	Issues
Dochfour Huts	£64,057	£50,000	End 2021/22	Storage, Training space
Culcabock CGC	£9,979	£400,000	2022/23	Storage, Training space
HLH Office Ardross	£14,870	£375,000	2022/23	HLH consultation
Nairn Finance Office	£7,160	£60,000	End 2021/22	Agree space in hub
Macleod House	£ 79,465	£275,000	2022/23	Investment property
Dingwall Portacabin	£ 4,653	£20,000	2022/23	HRA budget recharge
Dingwall HLH Office	£2,250	£100,000	2022/23	HLH consultation
Thurso Burgh Chamber	£11,035	£55,000	2022/23	Service point
Tain County Building	£8,530	£90,000	2022/23	Service Point
Culduthel CJ Office	£33,684	£275,000	2022/23 - 23/24	CJ Workshop store
Total	£231,030	£1,700,000		

Appendix 2 – Condition Surveys and Concerto Development

A single corporate asset database with robust processes for maintaining the integrity and currency of data is fundamental to the management of assets and the Council's ability to take a strategic approach to asset management. This approach is central to the services strategic planning agenda to achieving compliance with statutory obligations, management of risk, and delivery of value for money and quality.

The targeted condition surveys will provide an external view of the overall state of the current asset estate. Initially surveys will prioritise Depots and Stores, key sites which will require targeted investment. Once complete all remaining sites which include a building will be surveyed within the next 18 months. The condition surveys will fill existing gaps in the data set and as they will be carried by the same providers will allow the opportunity for detailed comparative analysis. This information will be vital towards making long term decisions over properties, including whether they are rationalised or repurposed and where appropriate further investment can be targeted in a sustainable way.

The development of Concerto, a cloud-based property asset, project and facilities management database is key to this strategic approach in which the system will deliver a more integrated solution to the management of property estate management, capital project management, facilities management, maintenance management and sustainability and energy management. The project is split into 3 phases that include the following:

Phase 1 – complete - Data import (incl. property, asbestos, CAD integration and system user accounts), module launch (incl. asbestos mgt, maintenance helpdesk, integra interface & supplier portal)

Phase 2 – initiated August 2021 – Data import (incl. fixed plant & equipment, housing sites, capital ledger & utility meters), module launch (incl. condition surveys, project mgt, contracts, time charging, energy & dashboard reporting)

Phase 3 – TBC – likely to include estates data & modules, accounts interface, fire risk assessment, suitability surveys, Health & safety, DDA, school lets mgt and IOT & BMS integration.

The implementation of Concerto is expected to increase the level of legislative compliance relating to Council property management, create opportunities to improve property information, eliminate manual data exchange processes, increase opportunities for partnership working and collaboration, consolidate information from currently disparate systems, create efficiencies in business processes and support mobile working, increase transparency by interfacing with financial systems and increase confidence in the use of property information in strategic decision making.

Appendix 3 – Corporate Net Zero Compliance

The Scottish Government has pledged to end Scotland's contribution to climate change no later than 2045. All public bodies have a duty to support and work towards this target under the Climate Change (Scotland) Act 2009, as amended by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. At a meeting of The Highland Council on 9th May 2019, it was agreed that the Council declare a climate and ecological emergency, whilst recommitting to achieving a carbon neutral Highland by 2025.

As a result of the Scottish Government's own declaration of a climate emergency and to ensure public sector compliance with revised national net zero targets, the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020 ("the Order") came into force in November 2020. This Order sets out that the Council will be required to provide the following in annual reports from reporting year 2021/22 onwards:

- a target date for achieving **zero direct emissions of greenhouse gases** (these are emissions arising from the **combustion of fossil fuels** which are directly within our control i.e., to heat our buildings and power our fleet);
- any targets for reducing **indirect emissions** of greenhouse gases (these emissions largely arise from our corporate use of electricity);
- how the Council **aligns its spending plans and use of resources** to contribute to reducing emissions and delivering its emissions reduction targets

Fundamentally, and for the purposes of this paper, this means that the Council will shortly have to agree when it will stop using fossil fuels (i.e. oil and gas) to heat its buildings, whilst also setting out how it will go about reducing emissions from its use of electricity, as well as detailing how the budget setting process will directly support this energy transition. Given that a significant percentage of the Council's built estate continues to be heated through the combustion of oil and gas, which accounted for 28% of our total corporate carbon footprint in 2019/20 at a cost of £2m, there is necessary alignment between the realisation of our corporate net zero requirements, and the Asset Rationalisation programme.

To meet the national net zero target, by 2045 all buildings in Scotland must have significantly reduced their energy use, and almost all buildings must be using a zero-emissions heating system. Inevitably, to reach a point where the operational emissions from our buildings are effectively zero, the Council will need to invest significantly in its built estate, ideally taking a "fabric first" approach – improving the energy performance of buildings is essential to unlock and benefit from the rollout of zero emissions heating. Energy efficiency measures alone will not reduce emissions enough to meet our emissions reduction targets, but they are a critical precursor to deployment of many zero emissions systems and are vital to help the Council reduce its energy costs in the short term.

In summary, the scale of the challenge to achieve a net zero corporate built estate is significant but will be made much more straightforward if the Council takes an evidence-based, business-like approach to retaining only those buildings which are critical from a service delivery perspective, and which have a realistic prospect of being retrofitted to a net zero standard. Taking this pragmatic approach will enable officers to appropriately model and create robust business cases for investment in our retained estate, making it much more likely that we can seek and secure external funding to alleviate some of the pressure on internal capital and revenue budgets.

Appendix 4 – AR Risks and Issues

Risk or Issue	Control Measures
General resistance to change	<p>The project needs a clear corporate mandate, with the backing of the Executive Leadership Team and Members, to implement the changes to workstyles and workplaces required to deliver an ambitious programme of property rationalisation</p> <p>Service teams will be required to reduce space requirement, implement new ways of working, identify beneficial service colocation, and actively find solutions enabling service delivery from different work locations.</p> <p>Clear communication of expectations is required.</p>
Lack of up-to-date data to inform decisions	<p>Refreshed, accurate, validated property data is required as a priority to provide a sound evidence base for decision making.</p> <p>Gathering data from various sources and matching to property records can be time consuming and requires to be targeted until property systems can provide a comprehensive, reliable dataset.</p> <p>Targeting areas of the portfolio for specific data gathering will allow progress to be made while systems are being improved.</p>
Delays due to decision making	<p>Progress can only be made with robust and timeous decision making when required.</p> <p>Project Board authority and other necessary governance required to be confirmed.</p>
Individual complexities in each property review	<p>Each property and occupying service will have complexities that will only come to light during the consultation and options review. These will need to be worked through to find solutions that do not adversely affect service delivery.</p> <p>Business Change resource has been recruited to the project; expectations around delivery timescale need to be realistic.</p>
Staff wellbeing, elevated levels of stress due to relocation	<p>Service teams have been subject to significant change and pressures in the past year, relocating offices may add undue stress if managers and teams are not properly supported.</p> <p>Clear communication from the project including sign posting to staff wellbeing resources.</p> <p>Managers providing office safety and NWoW project updates should be a standing item in team meetings and 121s.</p>
Office capacity	<p>Implementation of flexible/dynamic workspaces and relocation of teams is required within hub offices to create maximum capacity.</p> <p>Implementation of non-prescriptive agile working practices will be required to maximise capacity.</p> <p>Covid-19 social distancing restrictions require to be/remain fully lifted to allow the maximum desk capacity within hub offices to be utilised.</p>
Maximising potential savings	<p>Taking a holistic view of whole property occupancy costs will maximise net realisable savings achieved, this includes rent/rates, utilities, cleaning & FM costs, maintenance contracts, printing, office supplies, staff travel, telephony/network SWAN costs and vacancy management etc.</p> <p>Full savings can only be achieved if services reduce space requirements and are absorbed into the existing property estate.</p> <p>Any requirement for property solutions out with the existing estate will reduce the net realisable savings.</p>

<p>Property disposal timescales</p>	<p>Disposal of property depends on market conditions or lease agreements in place. Property disposals require time to check titles, market, negotiate and conclude.</p> <p>There may be costs to exit property including property clearance, surveys, title checks, disposal costs (demolition, site remediation), insurance and professional fees. Commencing preparations for disposal in parallel to delivering rationalisation project will reduce delay.</p>
<p>Time and cost to relocate staff</p>	<p>There are approximately 1255 staff located at hub offices and a further 300 staff based in properties proposed for review.</p> <p>Relocating staff internally to create capacity and then relocating staff to hubs from satellite offices will require time to consult, plan and deliver.</p> <p>Expectations need to be realistic. Staff continuing to predominantly work from home and access the office only for meetings and collaborative work will help to deliver property changes quicker.</p> <p>There are costs involved even when moving a member of staff from one desk to another. This may include removals, ICT engineer time, data point/socket installation, printer moves, additional equipment, professional fees for space planning etc.</p> <p>Expenditure required to implement solutions should be minimised to avoid reductions to net realisable savings.</p>
<p>Suitability of hub offices for service delivery</p>	<p>It should also be noted that although capacity may be created within hub offices through implementing dynamic workstyles, some services may feel they cannot reasonably deliver their service from these locations.</p> <p>Although Managers and Teams will be expected to work through issues with the project to identify solutions, this may take time and require business change support to achieve.</p> <p>From previous property reviews, below are some examples of reasons service teams have felt that relocating to a hub office would adversely impact their service delivery:</p> <ul style="list-style-type: none"> • Service Clients may be put off from accessing services if they had to come to hub office as it is too corporate and lacks anonymity • Team requires to be located directly next to bespoke workspace such as workshop, store, or kitchen to access materials on daily basis. Being based separately would reduce efficiency • Staff are highly mobile and carry bulky equipment, parking pressures in hub office would cause undue stress and reduce efficiency • Staff deal with difficult cases in the community and require returning directly to the office to consult with line managers, returning directly home may cause staff stress and isolation • Team utilises vehicle/equipment that requires dedicated secure parking/storage, if this could not be accommodated it would impact efficiency • Team relies heavily on file storage that requires to be kept by legislation, not having this on hand would impact service delivery negatively • Team requires to be in specific area for client base, changes to base may impact efficiency and team morale.