

Report for Resolution

Report to cabinet
Date 13 July 2011
Report of Director of Regeneration & Development
Subject Accommodation Review

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Purpose

The purpose of this report is to establish an office accommodation strategy for the city council and, based on that strategy, to agree an implementation programme for the rationalisation of the existing portfolio

Recommendations

This strategy identifies the need for the council to reduce its office holdings as the authority adopts a lean council model, reduces the number of employees and embraces new ways of working. In this context it is recommended that cabinet:

1. Adopt an office accommodation strategy that is based on consolidation at city hall as the administrative and democratic hub of the council
2. retain a neighbourhood presence either in council accommodation and/or by sharing with other public sector partners;
3. agree that Colman Road and Hansard Close be decommissioned in 2011/12;
4. agree to a review of customer reception facilities in the neighbourhoods, the be considered by cabinet at a future meeting; and
5. ask officers to prepare a proposal for a 'spend to save' initiative for phased investment to reconfigure the office layout at City Hall, to be considered by cabinet at a future meeting

Financial Consequences

In the short term the decommissioning of some area offices will reduce the overall operating expenditure incurred by the city council on office accommodation and reduce the longer term requirement to invest in these buildings. There will be additional costs to the housing revenue account arising from the relocation of staff from low value neighbourhood offices to city hall. However, in the medium term, increasing the level of occupancy in of city hall will reduce the expenditure per head.

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Risk Assessment

A detailed risk assessment will be produced to accompany the final strategy and implementation programme.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority of One Council that seeks to reduce running costs by making efficiency savings and minimise the impact on front line services.

Executive Member: Cllr Waters – Portfolio Holder for Resources

Ward: All

Contact Officers

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Background Documents

Accommodation Review and Options study.

Outline Business Case

Drivers Jonas

Premises Review Group January 2008

City Council Office Accommodation Strategy

Purpose

1. The purpose of this report is to establish an office accommodation strategy for the city council and, based on that strategy, to agree an implementation programme for the rationalisation of the existing portfolio.

Background

2. The current office portfolio comprises of 9 offices; with City Hall as the democratic hub and headquarters supported by a range and mix of accommodation in the neighbourhoods. The portfolio has developed over many years, is of varying quality and reflects the role of the council as both a local authority delivering a complex range of services and as a major local housing provider. Compared with current thinking about the use of office space the council has a very traditional approach which is both expensive and operationally inefficient.
3. In 2008 the council commissioned a report on future options for City Hall. This concluded that a full refurbishment at a cost of £16.6M was the most advantageous option for the council. This approach would have involved removing internal partition walls and extending into the light wells, to create large open plan floors. The council was not in a financial position to consider this approach and so no action has been taken.
4. More recently the council rolled out a neighbourhood based approach to service delivery.
5. The council has simultaneously had to address severe financial pressures and implement a range of cost cutting measures. These include reductions in the establishment that have delivered significant and sustained revenue savings.
6. These measures have included rationalisation of the city centre office portfolio with the closure of St Giles in 2010 and the transfer of staff to City Hall. This closure was prompted by a lease renewal opportunity.

Moving forward

It is recognised that the continued drive for efficiency, changing work patterns and the increased need for flexibility will result in council office accommodation being rationalised further. This will need to be driven by three key factors:

- a reduction in the size of the establishment and a continuing need to reduce fixed cost expenditure on office accommodation;
- the need to adopt a more radical and cost effective approach to the occupation of accommodation (for example a move away from the provision of one desk per officer to a workstation approach based on a ratio of 0.8 desks per full time equivalent member of staff);
- the desire to balance the focus on City Hall as the administrative centre of the council, with the need to support the delivery of neighbourhood based services either separately, or in partnership with others.

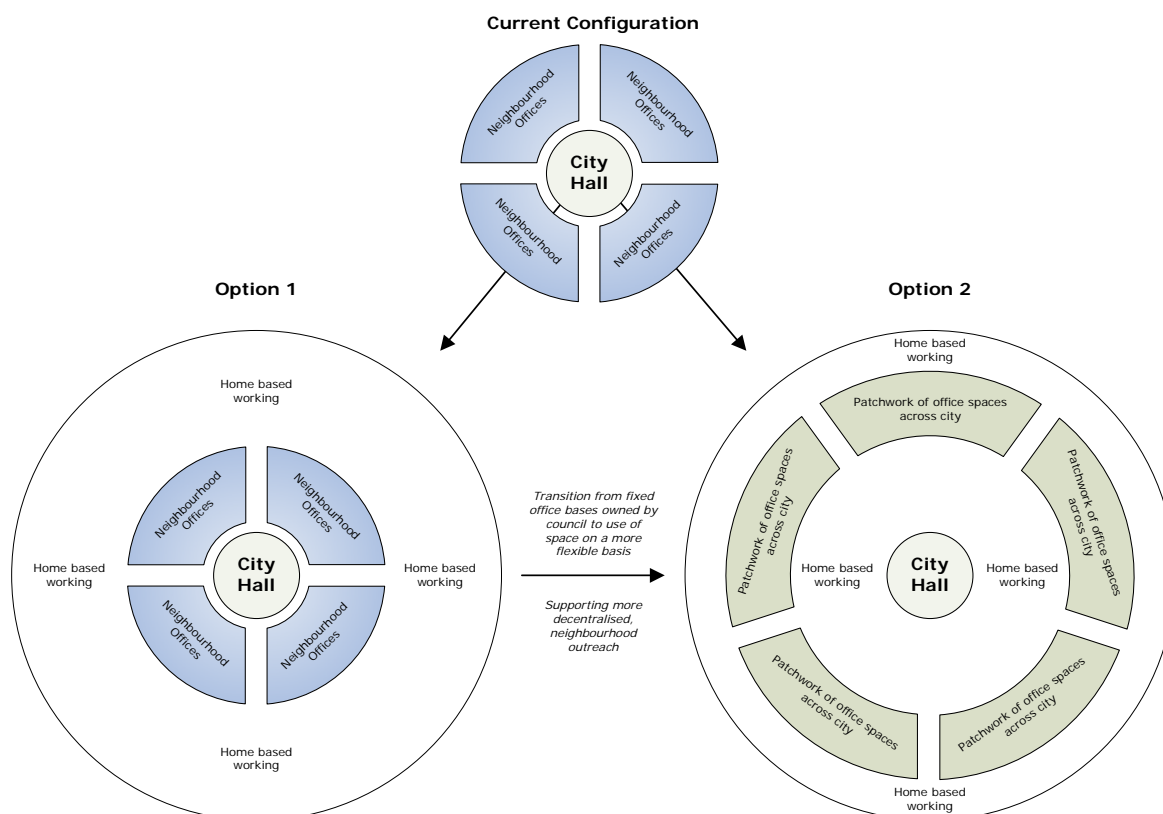
Evaluating the options

A number of options have been considered in order to develop the recommendations in this report: these were

- (a) Do Nothing - The provision of office accommodation is a high fixed cost and at a time when revenue funding is under extreme pressure, staff numbers are decreasing and new work styles being introduced which will reduce the demand for office space
- (b) Decentralisation This option could involve a focus for City Hall as the democratic hub of the council with the provision of lower cost accommodation in the neighbourhoods and elsewhere in the city centre playing an increasingly significant role. This would require the acquisition of additional accommodation (possibly sharing with other providers) and measures to encourage the sub-letting of vacant space at City Hall. The main advantages of this approach are that it provides a physical endorsement of the Council's neighbourhood model and seeks to reduce the dependency of the council on higher cost office accommodation. The key disadvantages are that it is based on the assumptions that vacated space at City Hall would be attractive to a third party, that either existing neighbourhood accommodation could be adapted to accommodate increasing staff numbers or new accommodation found and that the impact of a dispersed office network would not impact on organisational performance. In the short to medium term all of these are high financial and operational risk factors. In the longer term there will be a need to keep under review the sustainability of retaining City Hall as the main office base.
- (c) Centralisation Option. This option would seek to centralise the councils operations at City Hall. As a headquarters the building has the potential to accommodate a significant proportion of the staff currently accommodated in the neighbourhoods. This would enable the phased decommissioning of neighbourhood facilities in association with investment at City Hall. The key advantages of this approach are that it reinforces the symbolic and operational significance of City Hall as the headquarters of a major urban local authority; offers the scope to reduce the level of general fund resources required to support office accommodation; enables some of the poorer quality accommodation to be released and is operationally more efficient. The key disadvantages are that it could be seen as running contrary to the Council's commitment to deliver services at a neighbourhood level, may increase the cost in time involved in travelling to work in the neighbourhoods, and may increase accommodation costs particularly those to be funded by the HRA.
- (d) Consolidation This approach recognises the benefit of a single office base but accepts that the adoption of new work styles, creation of more open plan work areas and the increase in the capacity of City Hall will take time to deliver. Therefore this option assumes City Hall as the HQ and main office location and recognises that all staff, who do not have an overriding operational imperative to be accommodated in the neighbourhoods, will relocate to City Hall as and when the scope to do so arises. On this basis the council will continue to have a requirement to accommodate personnel at a neighbourhood level. This does not mean this requirement is met exclusively by the current neighbourhood office network but that it could be shared accommodation or 'hubs' with other providers supported by increased access to mobile working. The advantages of this

approach are that it provides a reasonable balance between the need to maximise the potential of City Hall and reinforces the one Council approach to service delivery alongside the operational need to have staff accommodated at a neighbourhood level. The main disadvantages of this approach are that there will a reduced number of neighbourhood offices and potentially higher accommodation costs to be funded by the HRA.

7. The key criteria for evaluating the options is to secure maximum savings from the council's revenue budget and at the same time ensure service delivery is not adversely affected. In this context the above assessment indicates that centralisation, or consolidation with a neighbourhood presence, are the most appropriate strategic accommodation options. The two options in part present a conflicting choice between the policy aspirations of a strong physical neighbourhood presence and the resource pressures associated with maintaining such a presence. However, they can also be seen as incremental progression of the council's overall neighbourhood model. In the short to medium term retaining a neighbourhood fixed office presence is the most deliverable option, and would enable further discussion with public sector partners on the potential for sharing of accommodation. This transformation process is illustrated in conceptual terms in the diagram below.



Implications of the strategy

8. The immediate and overriding driver for change is the simple need to reduce the cost of the office portfolio to reflect a reducing establishment and more efficient occupation of the space available. The more long term requirement is to enhance service delivery by adopting new styles of working that encourage a more flexible approach to office occupation.

9. The current office portfolio comprises 9 main offices (and a further seven small office bases). The portfolio is generally freehold (HRA and General Fund) and is a mix of buildings in terms of age, 'fitness for purpose' and physical condition; with City Hall proving to be particularly challenging as a listed building of national significance that has constraints on the nature of works that can be undertaken and at the same time has a traditional and 'tired' feel to it. About 65% of FTE staff are accommodated at city hall but there are still about 10% of work stations vacant in the building and this is likely to increase. With the notable exception of City Hall, the office portfolio is generally low value property both in terms of current buildings and redevelopment value. Most staff have a fixed office location, a small number share a desk on a 'hot desking' basis and there is limited joint-use with other agencies. In 2010/11 the operational cost of occupying this portfolio was over £1.17m with City Hall accounting for about 80% of this cost. The immediate scope to significantly reduce this cost is limited but rationalisation of the portfolio will obviously reduce overall costs of the properties that are decommissioned and mean that the cost of city hall is more evenly spread between the housing revenue account and general fund.
10. A condition survey has been undertaken of the main offices and this has highlighted that over the next five years around £500,000 is required to be spent on the neighbourhood portfolio to bring the properties up to a decent standard and about £1.7m on City Hall (which based on occupancy levels is a similar comparative sum to the investment in neighbourhood accommodation). These are unavoidable costs but the opportunity to undertake these works will be based on an assessment of their priority alongside other demands on the repair and maintenance works programme.
11. In this context the broad strategy for re-configuring the council's office accommodation should be based on a consolidation of office based activity at City Hall together with a continuing but reduced neighbourhood presence. As a consequence some staff will transfer to city hall and some offices in the neighbourhoods will close. In the current financial year it is proposed that both Colman Road and Hansard Close be vacated and closed.
12. The lease agreement for the land on which the Colman Road office stands comes to an end in April 2012. The office currently accommodates housing staff and another team. On average this office gets around 50 visits a month from the public. In the near future a team is due to move to Vantage House to co-locate with the police.
13. Once this has happened it is proposed that the remaining housing staff should be relocated to City Hall, thereby making a saving to the HRA .
14. Hansard Close is in urgent need of major repair and maintenance and needs investment to bring it up to a decent standard. This office is not open to the public. It is also proposed that the housing staff who are accommodated there at present be moved into City Hall
15. The delivery of the strategy would be helped by a reconfiguration of the current office layout at City Hall to create more open plan work areas that will assist the transition from a traditional office working approach of one desk per officer to a more flexible space efficient approach of shared workstations. This investment is subject to the availability of funding and obtaining consent to undertake works to a listed building.

16. This consolidation strategy will not preclude a move to sharing office accommodation with other agencies but should be seen as a necessary precursor. The opportunity for third party occupation of vacant accommodation at City Hall, by organisations aligned to the work of the council, is being explored. Although important this interest will not significantly reduce the level of under occupation. However, as the investment market recovers in the medium to long term this strategy would not prevent longer term considerations to other uses being introduced to city hall.
17. The location of offices will determine where staff work, but the way they work or work style will determine how this accommodation is used. The council has a fairly traditional approach to the way it occupies accommodation and many organisations have found that by adopting a more flexible approach not only will efficiency improve but the amount of office floor space required will be reduced as well as its cost.
18. Based on the requirements of the job it is possible to profile different work styles and then design the office accommodation, ICT and travel patterns to support these styles. The council is developing a comprehensive approach to new work styles and is reviewing its ICT strategy and travel policy to enable a more flexible approach to work including home working, mobile working and sharing of office equipment (desks and ICT). To help deliver this approach, the current format of the council's office accommodation needs to move from a traditional one desk per employee to a more open plan layout that supports teams sharing work stations. The relationship between new work styles and office accommodation is that there is recognition that not all desks are used every day and throughout the day. Clearly there will still be a need for some staff to have a fixed location but experience elsewhere, which is endorsed by the analysis of the council's work styles, suggest that over time the council's office requirements should be based on a ratio of 0.8 desks per FTE. This represents a potential 20% reduction in requirements and would enable further reductions to be made in the office portfolio. This change in the style of working is transformational but will take time to deliver and will be the subject of detailed discussion with staff and unison. This will involve some pilot working and a need to adopt flexible working practices on an incremental basis with a degree of pragmatism around the constraints imposed by the layout of the existing buildings.

Neighbourhoods and customer access

19. The current customer contact strategy of the council is to, where appropriate; promote 'self-service' through web access. This will mean that we are more able to target those customers who need phone and face to face contact. How we approach neighbourhood access in future is a complex issue and will require further detailed work. One of the recommendations of this report is that a review of customer reception facilities is carried out and brought to cabinet at a later date for consideration.

Implementation Plan

20. Should members agree to the strategic reduction of occupied office accommodation based on a consolidation model with supporting facilities in the neighbourhoods, there are a number of key steps to an implementation plan. This is essentially a 'change management programme' that requires:

- active staff involvement and ownership

- expert advice on space planning,
- remodelling of work areas,
- revised HR policies,
- appropriate ICT
- the decommissioning of surplus property.

Any strategy needs to be implemented on an incremental basis so that lessons (for example on mobile working) can be learnt as implementation proceeds. Directly affected staff and Unison will be engaged throughout this process. Alongside this change management programme, member approval will be required for major investment in works; for change to the provision of reception facilities outside of city hall and for further reduction in the office portfolio in 2012/13 and beyond.