

IMPLEMENTATION EXECUTIVE

13 MAY 2009

**WILTSHIRE COUNCIL WORKPLACE
TRANSFORMATION PROGRAMME**

Executive Summary

After the decision to re-organise local government in Wiltshire, Members asked for a comprehensive review of the accommodation that would meet the needs of the new Unitary Authority. This work has been completed for offices and the result of the Review and the recommendations are included in this document.

The review shows that significant savings and efficiencies can be realised by consolidating the majority of the 95 offices into four main hubs. This would reduce the total floor area by 50% and will release 59 properties for disposal. The retained hubs will be brought up to modern standards. The recommendation relies on introduction of new ways of working in all Council services, and it is proposed that the programme is delivered as Wiltshire Workplace Transformation Programme. The programme requires significant Capital investment over the initial period to yield significant Revenue savings.

Proposal

That the Implementation Executive approves the recommendation to implement the Workplace Transformation Programme including the reduction in number of offices and refurbishment of the remaining as proposed in this report.

Reason for Proposal

The comprehensive review of Council's office accommodation shows that the current portfolio does not meet the needs of the new Authority and has identified significant savings and efficiencies that can be achieved through rationalisation of these buildings. This report proposes a programme to realise these savings.

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**WILTSHIRE COUNCIL WORKPLACE
TRANSFORMATION PROGRAMME**

Purpose of Report

1. To:
 - (i) Report the outcome of a comprehensive review of offices of Wiltshire Council.
 - (ii) Ask the Implementation Executive to approve the recommendation to consolidate most of the offices into four main hubs, including the already approved Bourne Hill building in Salisbury.

Background

2. In 2006, Wiltshire County Council started a review of its office accommodation to rationalise from around 40 buildings into 4 main office hubs. This review was put on hold when local government re-organisation was proposed.
3. Similarly, Salisbury District Council planned and approved to replace some of its offices with a centralised building at Bourne Hill. North Wiltshire District Council office staff have already been co-located in the building at Monkton Park which was delivered under a Private Finance Initiative several years ago. Kennet District Council also rationalised some of its offices in the last few years.
4. The planning of these offices by the five previous Councils was based on their individual business needs. Following the decision to create a Unitary Council in Wiltshire, the County Council's Cabinet resolved in February 2008 to develop a comprehensive plan for support services and operational services accommodation to meet the future needs of the new Wiltshire Council.
5. To deliver this plan, Property Services engaged MACE, a company with a track record in strategic planning of estate rationalisation in the private and public sectors. A comprehensive asset register for all the properties of the five Councils was formed. The review looked at two categories:
 - Office accommodation.
 - Operational buildings.

The review of operational buildings is ongoing and the outcome will be reported in Autumn 2009. The synergies between offices and operational buildings offer opportunities at certain locations and wherever possible will be delivered under one overall change programme. Various options to rationalise the offices were considered. The emerging solution which is the subject of this report, satisfies all the objectives of the review. The detailed information on the buildings, their occupancy and options considered are in the Outline Business Case and its Appendices which are held as Background Papers by John Quinton in Democratic Services and can be viewed by request.

Main Considerations for the Council

6. The review was aimed at satisfying many accommodation needs of the new Council. A solution was required, not only to achieve efficiency and savings in the running cost of Council's offices, but also to enable business transformation to improve provision of services to customers. The key objectives of the review were set as follows:
 - (i) Reduce running costs.
 - (ii) Reduce and rationalise floor space.
 - (iii) Reduce the maintenance backlog.
 - (iv) Create a cost neutral solution.
 - (v) Enable business transformation and support the customer access strategy.
 - (vi) Provide more efficient workspace.
 - (vii) Reduce the carbon footprint.
 - (viii) Deliver with minimum staff disruption.
 - (ix) Easier access by customers to the full range of Council and other services.
 - (x) Closer working across services.

7. Currently Wiltshire Council has some 3,000 office based posts, filled by a bigger number of employees working in 95 offices with total floor area of 55,000 square metres. The building stock is mostly poor and disparate in terms of location. Most of the offices offer inefficient, inflexible space and are unsuitable when assessed against modern standards. There is a substantial ongoing liability for refurbishment. Therefore there is a significant potential for improvement.

8. As part of option appraisal, four business models ranging between “do nothing” to significant reduction in floor space were considered. Based on various ratios of workstation to staff numbers, models were developed which looked at a combination of refurbishments, extensions and disposals.
9. The option to “do nothing” and continue with the current arrangement shows that based on present values and over the next 25 years, the buildings would have a running cost of £415 million in revenue and £12 million in capital expenditure to maintain habitable condition. There will be severe implications on staff and service delivery through unplanned maintenance. The organisation is less likely to be able to maximise the opportunities presented by modern working methods and culture change in inflexible and inefficient buildings. The higher legislative standards for health and safety, disabled access and environmental requirements will be difficult to satisfy. This option would mean that the organisation will fail to realise the significant savings and service delivery improvements achieved through space rationalisation.
10. The most cost effective and transformational option is to reduce the floor space by 50% and consolidate offices into four strategic hubs: Trowbridge, Salisbury, Devizes and Chippenham. The Trowbridge hub focuses around the County Hall campus, Salisbury on the Bourne Hill development, Devizes on the existing Browfort campus and Chippenham through the existing Monkton Park office. The previous West Wiltshire District Council headquarters at Bradley Road would be released for disposal. The distribution of office posts, based on the current structure of the new Council will be as follows:

| <u>Campus</u> | <u>Location</u> | <u>Staff Occupancy</u> |
|---------------------|-----------------|------------------------|
| County Hall | Trowbridge | 1766 |
| Monkton Park | Chippenham | 557 |
| Browfort | Devizes | 377 |
| Bourne Hill | Salisbury | 309 |
| Pennyfarthing House | Salisbury | 65 |

11. These buildings will be upgraded and refurbished where needed to modern office standards. This option will release 59 properties for disposal. All receipts achieved from freehold properties will support the funding for the rationalisation programme. Fifteen properties are currently investment properties and will be retained after staff have been moved out. Six existing properties, such as Register Offices in Chippenham and Corsham, will remain occupied and ten other properties will be retained for various reasons, after the staff have been moved to the hubs.

12. This option satisfies all the key objectives of the review as outlined in paragraph 6. Staff will be using open office environment with maximised use of Information Technology, revised information management approaches and flexible working. This will increase speed of communications and business effectiveness. It will reduce running costs, cost of moves, energy consumption, and exceptional maintenance costs. There is evidence from other organisations that introducing new ways of working and improved office environment reduces staff turnover and absenteeism, and improves motivation.
13. A provisional programme to deliver this proposal over the next 6 years has been developed and is attached as **Appendix A**.
14. The recommended option would achieve a £42 million revenue saving compared to “do nothing” option over 25 years. It would require a £40 million net capital investment and therefore has a £13 million net capital shortfall compared to “do nothing”. The revenue savings are calculated after the cost of capital borrowing has been taken into account. The option will also remove a £22 million contingent liability and maintenance backlog in the existing offices. The financial model based on life cycle costing is included in **Appendix B**.
15. The proposed scheme relies on provision, on average, of two workstations to support every three members of staff. This arrangement will be achieved through rolling out new ways of working, mobile working and home working in all services. This has been achieved in other large public and private sector organisations. Nevertheless this is a major change in the way some Council services are managed and a significant element of the transformation required will be to engage and enable each service to adopt modern working practices.
16. It is therefore proposed that the existing Office and Workplace Transformation Programme to support Bourne Hill is expanded into a Wiltshire Workplace Transformation Programme to deliver the change across the Council. The proposal to rationalise the offices will therefore become an enabler and part of the bigger Transformation Programme.
17. Members of the Implementation Executive are aware that the office building at Bourne Hill is due to be ready for occupation in 2010, and this means that the rationalisation of offices in Salisbury and surrounding areas can be completed by that date, except for asset disposals which will follow. There is therefore an opportunity to pilot the workplace transformation in Salisbury before rolling out to other areas. This has already received approval from the Implementation Executive as part of the report on Bourne Hill presented on 30 March 2009.
18. The implementation of new ways of working is an essential part of this programme, and needs to be facilitated through investment in Information Technology, including infrastructure, telephony and user devices. There are now provisions in the budget for Bourne Hill and Salisbury area to introduce new ways of working. The outturn cost and subsequent savings will be known when the scheme is implemented in Salisbury. This would provide the information necessary for estimating the net cost of ways of working in the other hubs. A review would be needed at that point to decide an additional ICT funding that may be required for other hubs.

19. The Corporate Director of Resources is currently putting in place a programme and governance structure with the workstreams to deliver the change in the Salisbury area. If approved, the recommendation in this report seeks to expand this to deliver the transformation in the rest of the offices in the county.

Environmental Impact of the Proposal

20. An important benefit of new ways of working is the reduction in travelling to and from places of work. By relying more on Information Technology, fuel consumption and carbon emissions will be reduced.
21. Many of the Council's office buildings are poorly insulated and have inefficient heating and cooling systems compared with modern standards. This proposal will bring the majority of offices up-to-date and will create much more energy efficient buildings, resulting in reduced fuel consumption and emissions as well as costs. A similar scheme completed by Hertfordshire County Council achieved 37% reduction in energy use and 13% reduction in Carbon Dioxide emissions.

Equalities Impact of the Proposal

22. All Local Authorities have a target to achieve 100% compliance to the building access requirements of the Disability Discrimination Act. This proposal includes the funding to achieve this target for majority of the offices of Wiltshire Council.

Risk Assessment

23. This is a major "*invest to save*" proposal involving decanting and office moves for large numbers of staff, refurbishments, and delivering culture change. Also it is a major opportunity to improve services and reduce costs. It will require a strong programme based ethos to risk management in the areas of customer care, service delivery, benefit realisation and financial management, as well as construction and property management.
24. As in any change programme, it is important that the corporate vision is embraced. A strong programme based approach to change-management is needed to control this risk throughout the duration of the programme, and to create the ability to deliver the change. The shared working principles and culture change needs to be supported by staff as well as the managers, the elected Members and the Corporate Leadership Team (CLT).
25. In recognition of 23 and 24 above, the programme will report regularly to CLT and Members via the Workplace Transformation Programme Board, which will be chaired by the Corporate Director of Resources and will also form part of the overall corporate change programme monitored by the Corporate Programme Office.

26. A key risk identified by Resources Directorate is potential changes in the project finances which may be forced by cost overruns, further adverse changes in the property market, or other changes in the baseline information. To mitigate this risk, it has been agreed that significant financial commitment should be avoided at any stage of the programme. Through configuration of contracts, the Council will be given regular opportunities to stop or revise the scheme, should there be changes to the financial projections.

Financial Implications

27. The Business Plan, which has been generated by MACE, has been validated. The assumptions contained within the plan, which mainly relate to the Workplace Transformation Programme premise of three employees to two workstations and the resulting reduction in office floor space requirements, result in a robust, cost saving programme of activity.
28. Overall refurbishment costs is a capital commitment of £40.450 million. A capital requirement of £1.672 million is needed in 2009/10 the balance spread over the next 5 years.
29. The programme identifies capital receipts of £17.300 million and calculated capital savings relating to property maintenance of £10.272 million therefore overall the Net Capital Expenditure of the project is £12.878 million.
30. Revenue savings totalling £42.592 million have been calculated over 25 years beginning in 2009/10 with a net saving of £0.156 million. The Workplace Transformation Programme will have to secure these benefits across various departments of the Council.
31. In order to remove an immediate financial commitment to the whole programme, it is recommended that the programme be designed in such a way as to break down the works into discrete phases, beginning with Bourne Hill. This would ensure an expenditure review can be undertaken at the end of each phase so that, in the event of adverse results, the works can be suspended without undue upheaval to Council operations and would help to mitigate future financial risk.
32. The affordability of the overall programme is based on the application of all the capital receipts realised from the office buildings vacated. Those assets will not be available to be redeployed for any other Council use nor the sales receipt applied elsewhere. The latter would generate a further funding gap on this programme which would involve a decision to finance the programme from other income streams which are not currently available.
33. The valuations of the Capital Receipts are current. However, due to the current economic downturn there is a risk to the valuations and the date of disposal.

34. There is significant pressure on the Council's capital programme over the next 5 years, in particular with the Council approaching its borrowing limits during this period. Supporting this programme may result in other capital programmes not being affordable. This situation requires close monitoring of the borrowing position. The phasing of the project outlined in paragraph 26 would allow flexibility to respond to this risk.
35. The overall programme is revenue self funded including interest charges for the cost of the capital borrowings. However, all capital expenditure increases the capital financing costs in the revenue budget. This increases the ratio of financing costs to revenue streams, which is a prudential indicator and will also need monitoring. On a practical level the financing costs in effect become a fixed cost in the revenue budget. This will put pressure on reducing overall revenue costs in future years.
36. At present there is a specific maintenance backlog risk register which totals approximately £22 million. Although this amount cannot be utilised as a funding stream the effect of the project would be to remove this liability in total.

Options Considered

37. There were four main business models considered, each looking at a variety of options at each of the 95 locations. The key options are explained in paragraphs 8 to 14 above. However, full details are included in the Outline Business Case which is available as a Background Paper.

Conclusion

38. The comprehensive review of all the offices has identified significant savings and efficiencies that can be realised through rationalisation. The preferred option is to consolidate all the office-based staff in four hubs in line with the programme already approved for Bourne Hill.

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Appendices:

Appendix A - Provisional Programme
Appendix B - Lifecycle Costs

Background Papers:

Office Rationalisation Project - Outline Business Case, March 2009

Office Rationalisation Project - Appendices to Business Case