

**HAMPSHIRE COUNTY COUNCIL**

**Decision Report**

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	18 April 2011
<b>Title:</b>	Hampshire Workstyle and Asset Management Efficiencies
<b>Reference:</b>	2652
<b>Report From:</b>	Director of Culture, Communities and Business Services

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**1. Executive Summary**

- 1.1 It is now just two years since Cabinet approved the proposal to create an office rationalisation programme to be known as Hampshire Workstyle. The programme is now well underway, delivering both operational efficiencies and financial savings, which are described in detail in this report.
- 1.2 Reviewing the changes and progress in asset management in recent times, it is interesting to note that no more than 3 years ago, when office rationalisation was first mooted on any scale, the County Council had some 76,000 sqm of this type of accommodation across Hampshire. On the basis of the information in this report, by the end of the Workstyle programme in 2013, that figure will have reduced to some 46,000. A minimum of £2 million worth of annual revenue savings. against the current total annual cost of £7.8 million, is also now projected by completion alongside many other efficiencies.
- 1.3 In addition to these property and asset changes, other benefits will also be delivered including reduced facilities management and printing costs, IT hardware savings, and other front line operational benefits, such as reduced business travel. These types of long-term organisational change strategies are well known in the private sector, and the County Council is now at the forefront of this kind of evolution in the public sector.
- 1.4 This report seeks to:
  - update Members on the Hampshire Workstyle programme, strategic asset management activity, and the Capital and Assets Pathfinder project;
  - indicate the new efficiency targets and timetable now adopted to implement an accelerated completion programme;
  - outline the key Workstyle projects completed to date, which have achieved substantial efficiencies;

- gain approval to the hub model as the core strategy, with the option for some freehold acquisition to provide a flexible and efficient infrastructure;
- secure agreement to work already underway, the strategy in Winchester, and the approach to Partnership working; and
- gain approval to the inclusion of the appropriate financial provision into the County Council's capital programme, funded by Workstyle programme capital receipts and revenue savings.

## **2. Strategic Asset Management and the Capital and Assets Pathfinder**

- 2.1. The wider programme of Strategic Asset Management work is gathering pace, and the County Council's first Strategic Asset Management Plan will be reported to the next Buildings, Land and Procurement Panel (BLAPP) meeting on 5 July. This plan will define an overarching policy framework for the better management of the County Council's property assets. It will also establish 3 year targets, which will instigate a long-term programme of change to make the County Council's assets more efficient, and tailored specifically to emerging service requirements.
- 2.2. To assist with this strategic approach, it is proposed that the best use of all assets be achieved by applying the following operating principles:
  - all assets ( except schools) are recognised as County Council corporate assets rather than a mixture of departmental and corporate.
  - all office workspace is managed corporately rather than departmentally.
  - recharging mechanisms for property, facilities and IT services should be simple to understand and administer with minimal transaction costs, in order to incentivise further efficiencies where possible. Work to achieve this is already underway.
- 2.3. Agreement to these principles will enable corporate asset management to deliver efficiencies for the organisation in a way not previously achieved. This approach will complement the notion of Pathfinders outlined below, while ensuring that regenerated value in terms of disposals can be directly applied to the County Council's highest priority, whether that lies in saving or reinvestment.
- 2.4. The County Council has been selected as one of the six intensive Pathfinders for the Government's Capital and Assets Pathfinder programme. The programme is sponsored by the Department for Communities and Local Government (DCLG) and will test a customer-centric and place-based approach to asset management and capital investment. It will seek to achieve savings and efficiencies from the estimated £370 billion public sector estate. The Secretary of State, Eric Pickles initiated the programme, which is overseen by Baroness Hanham. Andrew Smith has been asked by Ministers to lead the programme for Local Government.
- 2.5. Led by the County Council, two business cases have been prepared with the public sector partners in Hampshire that consider a selection of the public sector assets under a proposed single, formalised management

arrangement. This includes joint strategic asset decisions, collective pooling of budgets and simplified arrangements to promote sharing. The cases are for two geographic areas, including Winchester and Basingstoke, and involve partners from the City Council, District and Borough Councils, Police, Health and central government.

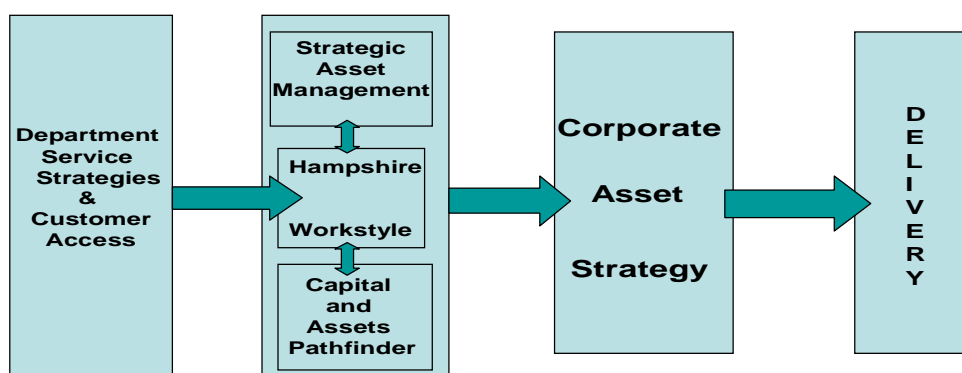
- 2.6. The business cases were submitted to Government Ministers in December 2010. These demonstrated that significant savings could be achieved with the Pathfinder approach, including 36% reduction in floor space and 50% reduction in operating costs for the assets in scope. Barriers to the success of the programme were highlighted to Ministers, who had undertaken to broker solutions to these with other government departments.
- 2.7. For the next stage of the programme, the Hampshire Pathfinder team is developing a long term strategy to issue to Ministers. This will look at how the collaborative, cross-public sector Pathfinder approach could be applied over the next ten years and how this can be rolled out to other areas in Hampshire and beyond. A further report will be prepared that considers the alignment of the Pathfinder's long term strategy, the County Council's Strategic Asset Management Plan and Workstyles.

### **3. Workstyle Background and Targets**

- 3.1. Members will recall that the Hampshire Workstyle programme has been designed to deliver a number of key changes to the way in which staff work, supported by increased efficiency in the office and the IT infrastructures that surround them. It can be summarised as follows:
  - improving asset management arrangements and reinvesting value on a major scale;
  - creating a more flexible workforce across the County and delivering more appropriate use of technology; and
  - supporting the improvement of outcomes for customers and contributing to the County Council's customer access strategy, in order to forge new links and opportunities for integration with partner organisations and the voluntary and community sector.
- 3.2. The programme is now well underway with a third of the County Council's office estate now either completed, or shortly to complete. The target completion date for the remaining two thirds is December 2013.
- 3.3. Following a review of the programme, it is proposed to deliver enhanced outcomes, which are shown overleaf:

Target Area	Target Measure Reported to Cabinet January 2010	Current Target
Reduction in gross floor area	-25 – 30%	- 30 -34%
Reduction in office running costs	-15%	- 20 – 25%
Reduced accommodation cost per head	No target reported	- 31%
Annual revenue saving on completion ( from 2014/15 )	No Target reported	£2 million per year minimum
Capital receipts generated for reinvestment into Workstyle	No Target reported	£16 million
Invest to save payback	No target reported	3 years
Increased space utilisation	+25 – 30%	+ 30%
Target gross floor area reduction per person	- 4 sqm	- 4sqm
Reduced storage footprint in prime office space	- 50%	- 50%
Planned carbon reduction for buildings in scope	- 35-40%	- 35 - 40%
Reduced maintenance backlog liability per sqm	- £500 to -£800 per sqm on average	-£500 to £800 per sqm on average
Reduction in desktop PC's	-15 to 20%	25%

- 3.4. In addition to the asset and pure financial efficiencies, other benefits are anticipated, including improved quality of facilities for planned work with customers, for example family contact and safeguarding activity. As the office stock is consolidated, a new network of other spaces in which staff will be able to work and meet is being introduced. Spaces to ‘drop-in’ and work in the locality is seen as a hugely efficient way to reduce wasted travel time and cost. For specific purposes, video conferencing technology, now well known to many people, is also to be trialled to establish how it can assist with internal communications.
- 3.5. Given the various activities now underway to ensure effective use and deployment of the County Council’s assets, arrangements are in place to co-ordinate the work described so far in the report:



#### 4. Work completed to date

4.1. The following table identifies the work completed or underway to date:

	<b>Capital Receipts anticipated</b>	<b>Target Annual Revenue Savings</b>	<b>Floor Area Reduction</b>	<b>Office Costs Per Person Reduction</b>
Eastleigh new Hub (completed February 2011)	£1,500,000	£171,500	-33%	-20%
Havant PSV (phase 1: complete September 2011, phase 2: May 2012)	£2,000,000	£70,000	-34%	-27%

4.2. Each of these projects is underpinned by the same principles, but equally each is different in nature. The efficiencies arising from Workstyle will continue to enhance the organisation as it moves through this significant period of change and transition.

#### 4.3. Hampshire House, Eastleigh

4.3.1 This project has recently been completed providing a new staff and service hub for the town. The project has enabled the release of four buildings of varying sizes, and generated a capital receipt estimated at £1.5 million together with annual revenue savings. The building incorporates a range of facilities for customers as well as a new corporate drop-in space for flexible workers.

#### 4.4. The Public Service Village ( PSV), Havant

4.4.1 The PSV is now nearing completion of its first phase. In five months time, County Council staff will occupy space alongside their Borough Council colleagues, and shortly thereafter will be joined by staff from the Health and Voluntary and Community sectors.

4.4.2 The PSV is a major project for Workstyle. Part funded by central Government, it will provide a number of significant and highly visible improvements to County Council service provision in the area, including:

- the introduction of a new integrated service for 16-17 year olds at risk of homelessness, in partnership with Children's Services and the Borough's Housing Service;
- purpose-built facilities for occupational therapists and others to offer assessments and drop-in clinics, allowing clients to test a range of equipment in an environment simulating a private home;
- the refurbished Civic Suite will offer an attractive venue for marriages and civil partnerships and is the first such local authority owned venue in the Havant Borough; and
- new approaches to sharing information about customers in the back office, within the parameters of data protection and client confidentiality legislation, in order to enable a more holistic view of customers' needs.

- 4.4.3 Arguably the most important aspect of the PSV is the co-location of County and Borough Council staff, which will enable a closer degree of joint working than would otherwise be the case. There will also be the opportunity to “export” some of the joint working practices to other districts, even where staff co-location cannot be achieved.
- 4.4.4 As a result of this joint venture, the Borough Council will be adopting a similar approach to flexible working as applied by the County Council, which will achieve ongoing savings for them as well as supporting full flexibility of the PSV as a shared County and Borough Council resource.
- 4.4.5 The County Council’s capital contribution to the PSV programme consists of the capital receipts generated from the sale of its two main Havant office premises, River Way and Town End House, plus one further freehold, the former register office in the town (this function has now relocated to the library for pure registration purposes). The total cost of the project is £13 million, and will be met through the combination of a Central Government grant of £5.2 million, Hampshire County Council capital receipts, and Havant Borough Council funding.

## **5. Refinements in the Model**

- 5.1. Since the report to Cabinet in January 2010, further thought has been given to the most efficient means of delivering the next stages of the programme, giving rise to a new office portfolio outside the Winchester headquarters. The reduction in the organisation’s staffing levels has prompted consideration of a new model, shown on the attached plan in Appendix 1, involving the creation of a mix of fewer larger ‘hub’ offices with a network of local drop-in facilities for staff working in communities. This philosophy combines the most efficient deployment of assets, whilst ensuring that staff can remain locally focussed. In the current plan, the hub model would reduce the total number of offices from 53 to 15. Further detail over the financial underpinning of the hub model is included in the next section.
- 5.2. Thought has also been given to connecting various parts of the County Council’s sphere of activity to ensure the most efficient range of outcomes. For example, the recent merger of Property, Business and Regulatory Services with Culture, Communities and Rural Affairs has led to a set of solutions around asset sharing, as well as combining business processes.
- 5.3. Further investigation has led to the conclusion that it will be possible to create and use capacity in libraries, on a significant scale, to support the creation of new efficient flexible offices, thus facilitating more of the disposal strategy referred to above. It is likely that libraries in Farnborough, Aldershot, Fleet, Petersfield, and Fareham among others will play a major part either becoming the focus for new hubs or substantial drop-in offices. Almost all of the smaller libraries will also offer drop-in on a lesser scale. A number of libraries currently host the registration service, and more are planned. None of these strategies will in any way reduce the libraries’ capacity to provide books for members of the public. Libraries have always been a major community focus, and this is now set to increase through the work of the Culture, Communities and Business Services (CCBS) Department, Hantsdirect and the Customer Access Board.

## 6. The Hub Model and Financial Rationale

- 6.1. From previous reports, Members will recall that, the larger the office, the greater the opportunity to consolidate use and forge efficiency. This principle has been applied to the programme going forward, and the map at Appendix 1 demonstrates that, with the distribution of a small number of 8 larger area hub offices, supported by a number of well located drop-in bases, the County Council can be covered efficiently.
- 6.2. From the work done to date, and compared with the alternative which is to provide fewer, smaller offices, the hub model will deliver a 4 to 5% greater efficiency, both in terms of floor area reduced, and cost of space per head. Across the programme, this difference is significant. It is projected to enable greater disposal of assets providing in excess of £2 million more of capital receipts, together with an additional £200,000 per year in ongoing revenue savings. The options considered to date for the programme are summarised in the table below, which also shows a series of scenarios using varying staff ratios based on utilisation efficiencies, from 10% to 20%:

Data	1 Existing	2 10% Area Model ( leased)	3 20% Area Model (leased)	4 20% Area Model (freehold)	5 10% Hub Model ( leased)	6 20% Hub Model (leased)	7 20% Hub Model (freehold)
Floor area (m <sup>2</sup> )	73,549	50,450 ( -31%)	49,152 ( -33%)	49,152 ( -33%)	48,954 ( -33%)	46,547 (-37%)	46,547 (-37%)
Accom cost per m <sup>2</sup> (£)	96	92	84	82	91	85	81
Accom cost per head (£)	1,226	897	910	889	849	876	830
Capital Receipts	nil	£11.3m	£13.6m	£13.6m	£13.8m	£15.9m	£15.9m
Program. cost	nil	(£ 13.7m)	(£13.1m)	£16.5m	(£13.7m)	(£14.1m)	(£20.3m)
Capital surplus/ (deficit)	nil	(£2.4m)	£0.5m	(£2.9m)	£0.1m	£1.8mm	(£4.4m)
Annual revenue saving non NPV	nil	£1.76m	£2.3m	£2.4m	£1.99m	£2.5m	£2.7m
Revenue savings 25 years NPV	nil	£22.3m	£30.2m	£35.6m	£26.2m	£31.2m	£40.9m

- 6.3. The programme is self-funded, so generating receipts will be crucial. Overall, it is expected that between £14 million and £16 million worth of assets will be disposed of, which are identified in Appendix 2.
- 6.4. Whilst disposing of outdated assets is a key feature of the programme, it is also appropriate to consider some limited acquisition at this relatively low point in the market. It is likely that there will be benefit in acquiring one or two of the new hubs as part of the modernised portfolio. Analysis has shown that in the long term the benefit of acquisition, rather than leasing new space, could yield potentially £300,000 per year worth of additional revenue savings averaged over 25 years, although this option does carry higher borrowing costs. There is nevertheless a net benefit; the investment costs and paybacks of this are accounted for in the tables at paragraphs 3.3 and 6.2.
- 6.5. It is important to recognise that while the programme is extensive in nature, the standard of refurbishment throughout future stages of Workstyle is planned to be modest. Re-use of existing furniture where possible is key, although some new furniture will be required to support flexible working for the 4,000 staff shortly to be included in the programme. Refurbishment costs will also be kept to a minimum consistent with the funding that can be generated by the programme.
- 6.6. For Members' information, the projected profile of building disposals and revenue savings is located at Appendix 3. The overall programme cash flow position is shown below:

Year	Projected capital expenditure ( NPV) £'000	Projected capital receipts ( NPV) £'000	Net capital position (NPV) £'000	Lower running costs £'000	Borrowing costs £'000	Net revenue position £'000
2010/11	-1,043	1,408	365	-310	25	-285
2011/12	-8,301	169	-8,132	-37	-556	-592
2012/13	-8,998	934	-8,065	624	-1,152	-528
2013/14	-1,512	11,039	9,527	1,373	-423	950
2014/15	-373	2,379	2,006	2,431	-264	2,167
2015/16	0	0	0	2,826	-264	2,562
2016/17	0	0	0	2,826	-264	2,562
2017/18	-110	0	-110	2,878	-274	2,605
2018/19	0	0	0	2,931	-274	2,658
Totals	-20,338	15,929	-4,409	15,542	-3,444	12,098

- 6.7. A proportion of the savings accruing from the end of 2013/14 onwards will be used within the programme to fund prudential borrowing and other costs. This will ensure that the programme is self contained financially and is able to fund the necessary investment costs as the buildings vacated are disposed of. The full £2 million per year, the current net target, and potentially more, will be available for other purposes from 2014/15.
- 6.8. To deliver Workstyle and the efficiencies outlined in the report, it will be necessary to include the appropriate capital provision in the County

Council's capital programme. The programme cost of £21.5 million (£20.3 million npv) will be funded by £17.6 million (£15.9 million npv) of programme capital receipts, and the balance from prudential borrowing supported by programme revenue savings.

## **7. Workstyle in Winchester**

- 7.1. The strategy for Winchester will release a range of buildings in addition to those that have already been disposed of, including Corinium House and Capitol House. Last year Members agreed to retain the Castle Avenue and Castle Hill offices. These buildings, together with Three Minsters House, will form the core of accommodation for the new Culture, Community and Business Services Department. Still to be disposed therefore will be:
- Trafalgar House ( now under offer)
  - Mottisfont Court
  - Aquitaine House
  - Sheridan House ( on termination of the lease)
  - Westgate Chambers ( on termination of the lease)
  - Athelstan House ( on termination of the lease)
  - Regency House ( on termination of the lease)
  - Monument House ( on termination of the lease)
- 7.2. The first three of these buildings are freehold. Other freeholds may be added to the list, dependent on the outcomes of the strategy, and the staffing ratios and efficiencies with which is it possible to occupy the remaining space at the Winchester headquarters (HQ) campus.
- 7.3. Part of the strategy to release a number of these buildings is linked to a review of the potential for additional use of Elizabeth II Court South. It will be possible to increase staff numbers in the building and strategies are now being developed and implemented to bring this to fruition. It is also necessary to ensure that, in the coming months, there is a plan in place to guarantee that space efficiencies are maintained. This is crucial to the continued effectiveness of Workstyle.
- 7.4. Outside of our HQ, there are other buildings to be added to the list including two at Winnall, the Hampshire Printing Works freehold asset, and the Moorside Library HQ, which is a leasehold property. Work is also underway to review the opportunities to release the Museums Service HQ at Chilcomb near Bar End. This is a complex site, with significant challenges, but it is thought that a much more economical solution could be provided to replace the very large number of buildings on the current site that carry a major condition liability for the Council.
- 7.5. Members may also like to note that the Police Authority is currently reviewing a number of accommodation options with a view to establishing a new headquarters in Winchester. The Mottisfont Court building, due to be vacated shortly may be of interest to them. Discussions are underway.

## 8. Partnership Working

- 8.1. For Workstyle in its current form, there is a question over the extent to which it is possible to create radical solutions with partners, not least because of the challenging timescale for completion. In the Capital and Assets Pathfinder, the rationale for joint activity, delivering mutual benefit, true asset sharing, and other collaborative opportunities is clear. However, in these times of change, organisational transformation, and challenge, this is by no means easy to achieve in practice.
- 8.2. As indicated above, the Public Service Village (PSV) in Havant is now giving rise to a range of opportunities to increase efficiency and impact through service integration. Ideas include those relating to sharing, not just space, but information and knowledge, as well as risk management with vulnerable customer groups and the development of joined up processes. By the time the first phase of the project is opened to the public in September, the dialogue and planning with Havant Borough will have taken three years. Final completion of the building project will of course not be the end of the transformation task. Overall, this will not have been a quick process.
- 8.3. Where, for many organisations, the future brings a fair degree of uncertainty, there are also areas in which likely changes are better understood. These could be supported by the strategic planning and delivery arrangements in Workstyle. One such area as suggested above, is in Health, where constructive dialogue is underway to establish how at one level, office assets can be shared, while locally at another, staff can be supported to work more closely with front line Health staff such as community nurses.
- 8.4. These partnership discussions can bring about benefits, but also give rise to options that could work against the narrow scope of particular business cases within the Workstyle programme. One particular example of this is also in Havant, where discussions are underway with the Primary Care Trust to support the creation of a wellbeing village in close proximity to the Public Service Village (PSV). The selected location, the former Oak Park School site that is now owned by Health, would be capable of supporting a wellbeing village, together with both Older Persons Residential and Extra Care facilities. The adjoining County Council Children's Services Office site at River Way, referred to in section 4 above as a PSV-linked asset disposal, could potentially be used to augment the overall site in support of the jointly held Health and County Council aspiration for this future development in the area.
- 8.5. If the various projects were to proceed, then the capital anticipated from the River Way office disposal, necessary to support the funding of the new PSV, may have to be accommodated from the wellbeing village programme cost, rather than from direct disposal of the River Way office site. This could impact on the timing of the receipt into the Workstyle programme.
- 8.6. All of this suggests that consideration should be given to opportunities for joint working, and drop-in capacity at partnership buildings should be provided where such efficiency opportunities present themselves. Other connections will be seized upon where possible both through Workstyle, the Pathfinder and many other external operational links. Whatever the outcomes of these external discussions, the timetable for Workstyle is

challenging; to complete the programme County-wide by the end of 2013 will require a high degree of focus.

## **9. Conclusions**

- 9.1. This report demonstrates that since the last submission to Cabinet in January 2010, much progress has been made. The potential to deliver further benefits and efficiencies is now more powerful than ever. Resources are in place to deliver these outcomes, and many other public authorities are keen to emulate our approach and learn lessons from our experience.
- 9.2. Finally, one very important point to make is that in post-occupancy surveys, staff who have been supported by Workstyle are, for the majority, providing positive feedback of the change experience, and the efficiencies inherent in their new way of working.

## **10. Recommendations**

- 10.1. That it be recommended to Cabinet that:
  - a) Progress of the Hampshire Workstyle programme, Strategic Asset Management activity and the Capital and Assets Pathfinder be noted.
  - b) The new efficiency targets and completion programme be endorsed.
  - c) The key Workstyle projects completed to date, which have already achieved substantial efficiencies, be noted.
  - d) The hub model as the core strategy (with the option for some freehold acquisition to provide a flexible and efficient infrastructure), be approved.
  - e) The works underway and the forthcoming strategy for Winchester be endorsed.
  - f) The Chief Executive and Director of Culture Community and Business Services be given authority to dispose of Mottisfont Court on suitable terms and conditions, to maximise the opportunity that there may be, for the Police Authority to support a decision in favour of occupying the building.
  - g) The approach to Partnership working be agreed, and the development of Pathfinder opportunities in support of longer term strategic solutions to asset sharing be endorsed.
  - h) The necessary capital provision be included in the Council's capital programme as outlined in paragraph 6.8 of the report.

**CORATE OR LEGAL INFORMATION:**

**Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	Yes
Corporate Business plan link number (if appropriate):	
<b>Maximising well-being:</b>	Yes
Corporate Business plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	Yes
Corporate Business plan link number (if appropriate):	

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

Document

Location

None

**IMPACT ASSESSMENTS:**

**1. Equalities Impact Assessment:**

- 1.1. An Equalities Impact Assessment has been completed in the development of this report and no adverse impact has been identified.

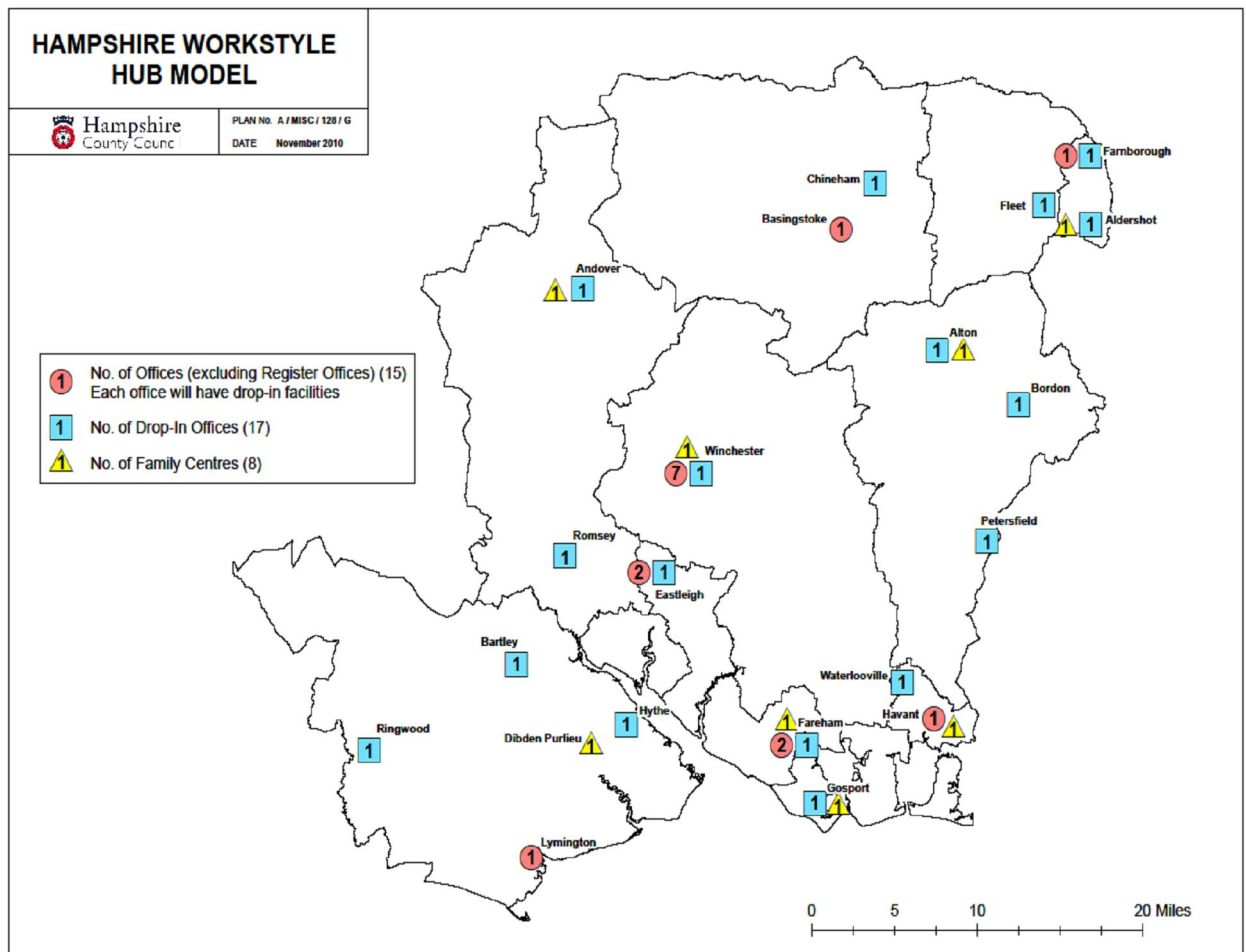
**2. Impact on Crime and Disorder:**

- 2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime and disorder in the County. The proposals in this report have no impact on the prevention of crime.

**3. Climate Change:**

- 3.1. All projects within the Workstyle programme will contribute to a net reduction in the carbon footprint of the County Council through reduced desktop computers and printers. The organisation's carbon footprint will also be reduced through more efficient use of property and disposal of buildings.

## Hub Model Main Attributes



### Commentary :

- The above plan shows the proposed hub model for the County Council with the number of new hub offices and their locations circled in red.
- Crucial to the strategy will be the provision of a substantial quantum of drop-in spaces for staff to work effectively in localities. These points are shown in the blue squares.
- Children's Services family centres are also shown, because of all the other operational buildings in the Council's built estate, these are one of the best examples of a mix of offices spaces and customer contact locations. The cross-cutting Workstyle team is therefore assessing how the services provided from these locations can be enhanced through the application of Workstyle principle.