report

Nottinghamshire
County Council

meeting	COUNTY COUNCIL		
date	9th December 2010	agenda item number	**8**

REPORT OF THE DEPUTY LEADER OF THE COUNTY COUNCIL

WAYS OF WORKING: BUSINESS CASE AND INVESTMENT

1. **Purpose of the Report**

1.1 To seek approval to the implementation of the Ways of Working Programme including: the office accommodation rationalisation to ensure the County Councils estate provides value for money and is efficient and effective; the investment in ICT including the introduction of EDRMS; and the associated HR policies required including all necessary investment.

2. **Background**

2.1 The County Council at its meeting on 25th February 2010 gave approval to the Improvement Programme in response to the unprecedented financial and service related challenges it faces over the next few years.

2.2 The County Council faces ongoing, significant and unavoidable increases in demand for key services along with long term reduction in the resources available to it. This will result in a financial position which will be exceptionally challenging.

2.3 In response to the challenges outlined above, the County Council has approved the establishment of a comprehensive Improvement Programme that is designed to drive out inefficiency, target resources, minimise the impact on service delivery and create an organisation that is fit for purpose and financially sustainable in the longer term. The Improvement Programme is a four year plan to transform the way the County Council works to help deliver the Strategic Plan priorities. One of the key strands of this programme is the investment into new ways of working.

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3. **Ways of Working Programme**

3.1 The vision of the Ways of Working Programme is to rationalise the Council's office accommodation and provide a flexible, cost effective and efficient workplace for use by all employees that will facilitate improved service delivery and new working practices and maximise the benefit to service users and taxpayers.

3.2 The rationalisation of office accommodation will generate capital receipts from the sale of buildings and reduce ongoing revenue costs. Additional operational benefits will include the efficiencies of co-location of teams and reduction in travelling time to meetings. The introduction of flexible ICT and Electronic Document Records Management systems will enable staff to work effectively from different locations across the County and reduce the need to provide expensive storage space. This will lead to efficiency savings as the provision of workstations will no longer be on a 1:1 ratio but increase to a 7:10 ratio where office areas will be able to support a greater number of staff.

3.3 The Ways of Working Programme will provide working policies, modern work styles and work space with equipment that motivates and enables staff to perform of their best and ultimately maximises the benefit to its customers and taxpayers. By having modern flexible ways of working the County Council will be seen as an employer who places value on its employees by providing a working environment for staff that is fit for purpose. Flexible working is about providing the right work settings for the way County Council staff work in the future. This has an impact on the reputation of the authority, along with staff retention and professionalism.

3.4 There is no generic, flexible working model that will fit all working situations. It is a "tool kit" of approaches which may be configured to individual team and service circumstances depending on the nature of the work and the outputs required.

3.5 The Ways of Working Programme consists of key cross-cutting projects including Office accommodation, Human resources, ICT solutions and Electronic Document and Records Management (EDRMS).

4. **Office Accommodation Project**

4.1 This project is concerned with implementing an office accommodation strategy across the County Council which will reduce the property portfolio and consolidate staff into fewer properties therefore reducing overall costs and optimising capital receipts from disposal of surplus accommodation.

4.2 The rationalised office accommodation will:

- Reduce the number of administrative properties to include retaining the strategic headquarters at County Hall, a transactional centre in Trent Bridge House and locality hubs in the county supported by a network of touchdown areas to facilitate mobile working and reduce travel
- support flexible working and provide employees with the facilities they need to deliver services efficiently and effectively

- apply space utilisation standards to ensure optimum and consistent use of accommodation. This will include:

  - open plan office space
  - an average ratio of 10 staff to 7 workstations
  - an agreed environment for each work style based on the principles of flexible working and value for money
  - cellular offices only by agreed exception
  - provision of workstations to accommodate different work styles
  - provision of meeting areas – formal and informal
  - operation of clear desk policies to reduce storage and maximise flexibility

4.3 It is essential that the planning and provision of office accommodation takes into account the requirements of service delivery – these have to be fully defined by service groups, both in terms of exact numbers of staff and required geographical locations. Assumptions have been made in terms of locality requirements and a 25% reduction in staff numbers.

5.   Human Resources policies and guidance

5.1 Up to date policies and guidance for managers are required to ensure consistent application of flexible working across the authority. They include:

- Home working policy, guidance for managers (already in existence)
- Performance measurement of staff
- Flexi scheme (already in existence)
- Job share scheme (already in existence)
- Reduced hours
- Unpaid sabbaticals
- Urgent Domestic Business (already in existence)
- Compassionate leave (already in existence)
- Travel options policy (including links to environmental policy and car parking policy with facilities management)

5.2 Policies and guidance will also address protocols for flexible working, health and safety issues, insurance, utility expenses etc.

5.3 Previous experience both within the Council and in other organisations which have already adopted similar "Ways of Working" principles have evidenced

improved performance, reduced employment turnover and reduced sickness absence.

6. ICT Solutions for Flexible working

6.1 The aim of this project is to provide appropriate access, capacity and equipment to support modern ways of working across the County. This includes:

- Providing a range of ICT equipment associated with different work styles.
- Internet Protocol Telephony (IPT).
- ICT prerequisites for document management.
- ICT infrastructure for buildings.
- ICT support for the necessary accommodation moves.

6.2 The project business case, including costs, benefits, risks, project plan and scope is included within the Ways of Working Programme.

7. Electronic Document and Records Management Project

7.1 This project will ensure that Nottinghamshire County Council has the capability to effectively manage its information resources and gain the maximum benefit from document management. This will be achieved through the implementation of information technology which will support other programmes and initiatives within the Strategic Plan, ICT Strategy and the Improvement Programme as well as embedding the standards and policies for information management. The project has two main elements – the introduction of technology and a change to working practices to maximise the benefits that can be achieved.

7.2 The project is part of the information management work and includes digitisation of documents and retention policies. It is an enabling project which includes the provision of technological capability, training in business improvement techniques (Lean and systems thinking) and changes to the way that information is managed and used within the organisation.

7.3 EDRMS forms an essential part of the Ways of Working Programme as it provides electronic document storage which reduces the storage of files and thus reduces the overall storage and office accommodation space requirement.

8. Critical Success Factors

8.1 The critical success factors to the Ways of Working Programme include:

- improved working between service areas at a local level
- reduced cost overhead through rationalisation of estate
- sharing premises with other public sector bodies
- employee communication, participation and involvement
- creation of suitable and appropriate working environments
- piloting innovation in working practice
- identification of barriers and overcoming restrictions

8.2 The programme has key cross-cutting themes:

- people: focused on culture, management trust and delivering outcomes
- technology: specifying and implementing an infrastructure to support new ways of working which is fit for purpose
- property: an appropriate portfolio which supports service delivery by providing the flexibility to enable employee movement when required
- communication: involvement of all stakeholders with a communication strategy
- human resources – policies and guidance which supports and sustains modernised ways of working for all staff

8.3 Within the Ways of Working Programme, the culture change required for successful implementation cannot be underestimated. It requires a move from traditional ways of working or work styles e.g. 9 am to 5.00 p.m. at a fixed office desk, to a more flexible work style where performance is judged by outcomes rather than "presenteeism". The latter is a particular challenge to some managers within the organisation.

9. Business Case

9.1 A detailed business case has been prepared to consider three options for the office accommodation strategy project, ICT solutions for flexible working and the electronic document and records management projects. This report requests approval and funding for these aspects of the Programme, which entail capital expenditure.

9.2 The property portfolio currently has an annual running cost of £55m including £7.5m for office accommodation. The current office portfolio provides accommodation for approximately 4,700 employees.

9.3 Flexible ways of working have been introduced over the past few years across certain areas of the County. This needs to further develop particularly across the West Bridgford campus and at other major sites.throughout the County. The majority of the Council's administrative operations are undertaken within the West Bridgford campus. This comprises 24,000 sq m of offices across 10 sites providing accommodation for approximately 2,000 employees.

9.4 A review of the West Bridgford campus has already been undertaken which included assessing the performance of buildings, space use, an evaluation of

flexible working projects. This included an employee questionnaire and interviews with senior managers. The key findings were:

- 32% of workstations are empty throughout the day
- 32% of meeting rooms are empty throughout the day
- 14% of staff have individual offices which are empty for 50% of the day

9.5 Critical to the success of the Ways of Working Programme is the adequate investment into information communication technology. ICT solutions for flexible working underpin the Ways of Working Programme to support a flexible and mobile workforce that will not be as reliant on office buildings, thus enabling the property portfolio to be reduced.

9.6 The retained buildings need to be fit for purpose in respect of ICT infrastructure to ensure they are able to support an increase in the number of workstations and people occupying each building under the proposed 7:10 desk ratio. Both County Hall and Trent Bridge House will require recabling to enable provision of the new ICT and voice network infrastructure.

10. **Options**

Three options have been considered as part of the process of compiling the programme business case:

10.1 **Option 1: Maximum disposal option (18 properties) and refurbishment – Preferred Option**

10.2 This option proposes a significant reduction in office accommodation sites which involves reducing the 23 buildings that fall within the scope of the programme down to 5. This includes the demolition of the County Hall CLASP block. The proposals are that the following properties are retained: County Hall (H Block, Riverside and Data Centre); Trent Bridge House; Lawn View House, Sutton in Ashfield; Welbeck, Thoresby, Bevercotes and Ollerton Houses (Sherwood Energy Village) and Worksop Library (where corporate office accommodation is also provided).

10.3 The project will involve the removal of most of the cellular offices in County Hall and Trent Bridge House, providing a more efficient and flexible working environment.

10.4 A programme of essential maintenance and moderate refurbishment will include ICT recabling and electrical rewiring. This will provide sufficient capacity to increase workstation numbers and enable implementation of core ICT and telephony infrastructure improvements to support more flexible and efficient working patterns, end user ICT solutions linked to defined work styles and document management systems and procedures to improve access to information.

10.5 **Option 2: Medium disposal option (16 properties) with no refurbishment**

10.6 This option proposes the closure of office accommodation that is currently not utilised or where the lease has already expired. Planned recabling and rewiring of County Hall will be delivered but this.option will retain the status quo on space usage and utilisation. Benefits will be realised as the Authority reduces its staffing establishment over the next 2-3 years, as an under utilisation of current property assets will occur.

10.7 **Option 3: Minimal disposal option (12 properties) with no refurbishment**

10.8 This option delivers a reduced property portfolio from the current 23 sites within scope of the programme down to 12. This option will not deliver any of the refurbishment or workstation increases. To enable reasonable option comparison, the retained sites represent a geographic spread across the county to enable service delivery without the benefits of new ways of working. This option retains the use of the County Hall CLASP block. Planned recabling and rewiring of County Hall will be delivered but this will simply retain the status quo.

11. <u>Benefits</u>

11.1 The rationalisation of office accommodation will tie in with expiry of existing leaseholds and complement the planned infrastructure improvements at County Hall and Trent Bridge House that will take place over a period of 3.5 to 4 years.

(Appendix A provides details regarding property retention and disposal)

11.2 The benefits of each option are detailed below

11.3 **Option 1**
- Closure of 18 properties
- Reduction in number of workstations from 4052 to 2569
- Appropriate ICT solutions to enable flexible working
- Essential maintenance infrastructure work
- New voice and data network for County Hall and Trent Bridge House
- More efficient, flexible and mobile workforce
- Refurbish space within County Hall H Block and Trent Bridge House to increase occupancy and space utilisation by developing modern working practices
- Improved County Hall reception enabling more customer focus and effective use of public areas

11.4 **Option 2**
- Closure of 16 properties
- Reduction in number of workstations from 4052 to 2513
- New voice and data network for County Hall to enable flexible working

- More efficient, flexible and mobile workforce

11.5 **Option 3**
- Closure of 12 properties
- Reduction in number of workstations from 4052 to 3385
- New voice and data network for County Hall

12. Financial Implications

12.1 It is estimated that sufficient capital receipts will be generated in options 2 and 3 to fund all capital expenditure. For the purposes of comparison calculations, excess capital receipts are assumed to provide a saving by being applied to other schemes to reduce financing costs. In option 1, the excess of capital expenditure over capital receipts is assumed to be funded from borrowing according to the Council's borrowing policy. The impacts on the revenue budget of all capital expenditure, receipts and financing have been determined and incorporated within figures for revenue costs/savings.

The following table shows the capital expenditure and receipts for each option:

	Capital Expenditure (£'000)		
	Option 1	**Option 2**	**Option 3**
2010/11	1,192	1,038	176
2011/12	3,171	2,574	694
2012/13	1,755	909	157
2013/14	858	57	29
2014/15	3,299	1,459	130
Total	**10,275**	**6,037**	**1,186**

	Capital Receipts (£'000)		
	Option 1	**Option 2**	**Option 3**
	8,545	**6,345**	**2,345**

12.2 The estimated net present values (NPVs) of the cost (+) or saving (-) to the Council of each option, and the payback dates are as follows:

Option	1	2	3
NPV of cost(+) or saving (-) (£'000) (over 25 years)	-24,388	-21,709	-17,766
Year of payback	Start of 2017/18	Start of 2017/18	Start of 2017/18

Hence Option 1 has the most favourable impact on the revenue budget over a 25 year period.

By comparison, the NPV of the relevant future net costs that would be incurred if none of these options was undertaken is around (+) £3.2 million and the essential expenditure on retained buildings would not pay back over 25 years.

12.3 The impact of each option, including the effects of all capital expenditure, capital receipts, revenue expenditure and revenue savings, on the Council's revenue budget for each of the next ten years is shown in the following table:

	Impact on Revenue Budget (£'000) Cost (+) / Saving (-)		
	Option 1	**Option 2**	**Option 3**
2010/11	1,026	1,017	640
2011/12	4,505	4,571	3,746
2012/13	755	508	406
2013/14	486	308	332
2014/15	-2,167	-1,973	-1,523
2015/16	-2,130	-2,014	-1,541
2016/17	-2,099	-1,913	-1,440
2017/18	-2,254	-2,062	-1,832
2018/19	-2,505	-2,306	-1,830
2019/20	-2,297	-2,092	-1,721

12.4 These savings will continue at around this level beyond 2019/20 whilst the retained buildings continue to be used. Since the revenue impact of this programme will be felt over such a long period and encompasses considerable savings as well as expenditure, it is important to consider the overall impact of the programme on the revenue budget, rather than just considering revenue expenditure in the early years.

12.5 All three options entail considerable expenditure between 2010/11 and 2014/15. However, it is worth noting that, if none of these options was undertaken, expenditure on essential works at retained sites would be so

significant that the impact on the revenue budget between 2010 and 2014 would not differ greatly from that of option 3, although this expenditure would not generate commensurate savings.

13. Financial Risks

13.1 It should be noted that the business case is based on a number of assumptions which, if varied, could significantly alter the savings figures. In particular, it is assumed that workstations are required for 3,375 employees. A change to this requirement could affect the number of buildings required and thus the savings figures. To some extent, this will affect the relative attractiveness of the various options. Further, service needs may dictate that it is not possible to close the buildings that are anticipated for release in the business case. Therefore, it will be important to review the business case as operational requirements change.

14. Summary

14.1 It is anticipated that much of the required capital funding for option 1 will be covered by capital receipts, with the remainder of approximately £1.73 million being funded by prudential borrowing. The following capital funding (including funding from capital receipts) is required.

Capital Allocations Required (£'000)					
2010/11	2011/12	2012/13	2013/14	2014/15	**TOTAL**
1,192	3,171	1,755	858	3,299	**10,275**

14.2 The short-term revenue costs of the Ways of Working Programme, as detailed in the business case, will be built into the Medium Term Financial Strategy. It is anticipated that further analysis will be required following final decisions on service reviews and organisational redesign to determine whether additional savings can be made.

15. Recommendation

1. To approve the implementation of Option 1 as set out in the report.

2. That the Capital Programme be varied as set out in the report.

16. Statutory and Policy Implications

This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, crime and disorder, human rights and those using relevant service. Where such implications are material, they have been described in the text of the report.

Director of Resources Financial Comments (AS 26/10/2010)

The financial implications are set out in the report.

Legal Comments (NAB 26.11.2010)

Council has authority to approve the recommendation set out in this report

Personnel comments. (MT 29.11.10)

The implications in respect of various HR polices and practices are highlighted in the report. Any revised policies will be subject to the usual consultation processes. The recognised trades unions have previously been briefed in relation to the intention to vacate a number of office premises across the County. The business case is predicated on an estimate of the number of workstations required in total and in particular localities. Any changes to operational requirements as these evolve in developing the new organisation will impact on the business case and potentially on the number of employees affected in different localities. This will need to be kept under review. Information is being made available to brief staff on the potential impact of the proposals.

Electoral division(s) affected

All

Background Papers Available for Inspection

Business case: Exempt by virtue of Paragraph(s) 3 post March 2006 as described in the Local Government (Access to information) (Variation) Order 2006. Information contained in the report provides details of rents and potential capital receipts, disclosure of which would prejudice the Council's commercial property interests for future of these sites).

COUNCILLOR MARTIN SUTHERS
DEPUTY LEADER OF THE COUNCIL

Appendix A: Property Retention and Disposal Options

Address	Location	Option 1	Option 2	Option 3	Estimated Closure Date
County Hall - H Block	WEST BRIDGFORD	retain	retain	retain	
County Hall - Riverside Block	WEST BRIDGFORD	retain	retain	retain	
County Hall - Data Centre	WEST BRIDGFORD	retain	retain	retain	
Trent Bridge House	WEST BRIDGFORD	retain	retain	retain	
Lawn View House, Sutton	ASHFIELD	retain	retain	retain	
Welbeck, Thoresby, Bevercotes, and Ollerton House	NEWARK & SHERWOOD	retain	retain	retain	
Worksop Library	BASSETLAW	retain	retain	retain	
Sir John Robinson House	GEDLING	disposal	retain	retain	2014/15
Chancery Lane, Retford	BASSETLAW	surrender	retain	retain	2014/15
County Hall - CLASP Block	WEST BRIDGFORD	demolish	demolish	retain	2014/15
County House, Mansfield	MANSFIELD	disposal	disposal	retain	2012/13
Meadow House, Mansfield	MANSFIELD	disposal	disposal	retain	2012/13
West Bridgford House	WEST BRIDGFORD	disposal	disposal	retain	2012/13
Mansfield accommodation	MANSFIELD	required (est. 200 staff)	required (est. 200 staff)	not required	
Broxtowe touchdowns	BROXTOWE	required	required	required	
Newark touchdowns	NEWARK & SHERWOOD	required	required	required	
Retford touchdowns	BASSETLAW	required	not required	not required	
Balderton Gate, Newark	NEWARK & SHERWOOD	surrender	surrender	surrender	2011/12
Centenary House	WEST BRIDGFORD	disposal	disposal	disposal	2011/12
Chadburn House, Mansfield	MANSFIELD	surrender	surrender	surrender	2011/12
39/41 Loughborough Road	WEST BRIDGFORD	disposal	disposal	disposal	2010/11
47 Loughborough Road	WEST BRIDGFORD	disposal	disposal	disposal	2010/11
Ludlow House	WEST BRIDGFORD	surrender	surrender	surrender	2010
Mercury House, Annesley	ASHFIELD	surrender	surrender	surrender	2017
Oak House, Ruddington	WEST BRIDGFORD	surrender	surrender	surrender	2013
Prospect House, Beeston	BROXTOWE	surrender	surrender	surrender	2014
52a Rectory Road	WEST BRIDGFORD	surrender	surrender	surrender	2013
The Hall	WEST BRIDGFORD	surrender	surrender	surrender	2013
Thoroton Road	WEST BRIDGFORD	disposal	disposal	disposal	2012/13