

## CITY OF PLYMOUTH

**Subject:** Accommodation Strategy Business Case  
**Committee:** Cabinet  
**Date:** 10 August 2010  
**Cabinet Member:** Councillor Bowyer  
**CMT Member:** Director for Corporate Support  
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**Ref:** AS/CT/01  
**Part:** I

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### **Executive Summary:**

Further to Cabinet approval of the Accommodation Strategy, 02 June 2009, this report updates on progress to date and provides the business case for consideration on the next phase.

The business case sets out the proposed next phase of implementation which recommends that the council vacates six of its current office bases. To enable this, investment is required in ICT and infrastructure to adapt existing retained accommodation, together with 'exit' costs of vacating existing leased buildings.

Implementing this phase of the Accommodation Strategy will require a capital investment and a 'one off' revenue cost which will generate on-going revenue savings of £1.5m per annum. This investment complies with the council's principles of developing 'invest to save' initiatives to address the revenue budgetary pressures that we face.

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### **Corporate Plan 2010-2013:**

The strategy is aligned to and referred to in the Corporate Plan and more particularly CIP's 1, 2, 13 and 14 delivering the key improvement of improving efficiency and value for money through the effective use of resources as well as improving customer service, informing and involving residents and supporting staff to perform better.

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### **Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land**

The Accommodation Strategy business case will require up front investment with a view to achieving longer term savings. This is the first specific individual project for consideration under the Strategy previously approved. Human Resources, ICT and Finance are fully aligned regarding this strategy. Approval of the recommendations will contribute towards bridging the council's future revenue funding gap.

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**Other Implications: e.g. Section 17 Community Safety, Health and Safety, Risk Management, Equalities Impact Assessment, etc.**

There are no implications for these areas.

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**Recommendations & Reasons for recommended action:**

Approval of the business case is recommended as a way to reduce the council's future accommodation costs. It will also improve communications and improve the customers' experience of visiting our core buildings. Specifically, it is recommended that:

- a) Cabinet approve this stage of the Accommodation Strategy, i.e. vacating six satellite offices and focussing on three core office accommodation bases of Civic Centre, Windsor House and Midland House;
- b) Cabinet approve the capital investment and one-off revenue costs required to enable implementation of this stage of the strategy;
- c) Capital funding required is, where feasible, drawn from the council's existing investment portfolio, hence minimising further borrowing requirements;
- d) Revenue savings generated in 2011/12 are used to fund the revenue costs of exiting existing lease agreements early. Any cashflow issues in terms of timing, or net revenue shortfall in 2011/12, to be met from the council's accommodation reserve.
- e) A corporate provision is created into which each 'invest to save' scheme is required to make future financial contributions;
- f) From 2012/13 onwards, 10% of the revenue benefit from this invest to save scheme, (i.e. £152k per annum), is contributed to the council's corporate invest to save provision

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**Alternative options considered and reasons for recommended action:**

Do nothing. This will continue the inefficient use of accommodation. Revenue budget reductions would have to be achieved elsewhere in spending departments.

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**Background papers:**

Accommodation Strategy – June 2009

Resources & Performance Overview & Scrutiny Committee presentations – 26 November 2009 & 18 March 2010

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**Sign off:**

Fin	CDR/CorS 1011001	Leg	DVS 1147	HR	MG/K G/30 0710	Corp Prop	CJT/053 /290710	IT	JM	Strat Proc	N/A
Originating SMT Member – Malcolm Coe											

## **1. Introduction**

- 1.1 The Accommodation Strategy for the council's future use of its office accommodation was approved by Cabinet in June 2009. The strategy was developed in partnership between Corporate Property, ICT and Human Resources.
- 1.2 The Strategy included an implementation plan for adoption of a minimum 8 desks per 10 staff ratio throughout the corporate office estate. The primary objectives and benefits are to:
  - Rationalise the number of buildings that the council owns and leases;
  - Generate significant year on year revenue savings;
  - Improve the office environment for our customers;
  - Improve the office environment for our staff;
  - Improve communication and cross departmental working;
  - Modernise our office bases and IT infrastructure;
  - Generate secondary savings such as reducing the carbon that the council produces and reducing the backlog of required repairs;
  - Ensure that we get the maximum possible value from the use of our assets
- 1.3 The Accommodation Strategy primarily focuses on the core office accommodation utilised by the council. This approach was adopted to ensure that we achieve significant change, and savings, in a structured way over a short to medium time period. There is further scope to extend the principles of the strategy through considering a wider range of the council's, and partners, buildings. Such enhancements will be subject to separate business cases and option appraisals building on lessons learnt as we progress.
- 1.4 Doing nothing is not an option. The council is changing the shape of its workforce and needs to ensure that its accommodation matches the current and future business needs. For example, staff transferring to Plymouth Community Homes, the development of Academy Schools and transfer of our Highways function to Amey. We need a strategy that proactively plans for the future as opposed to reacting to individual changes to staff teams within individual office basis.

## **2. Progress on implementation**

- 2.1 The Director for Corporate Support and Cabinet Member for Finance, Property, People & Governance have been appointed as Lead Director and Lead Member.
- 2.2 A detailed Business case has been drawn up to fully evaluate the potential costs and benefits available. Limited external support has been used to test the robustness of this business case using experience from similar public sector office rationalisation schemes.
- 2.3 We have piloted the new flexible accommodation principles in a live environment with the finance service, (within the Finance, Assets & Efficiencies department), on floor 5 of the Civic Centre. We deliberately chose an office based group of staff to test out the feasibility of the 8 desks for 10 staff principles fully.

- 2.4 The pilot was designed with the involvement of the staff, unions and health and safety representative, and went live at the end of November 2009. It has proved a huge success with key feedback messages being:
- staff have taken greater ownership and greater pride in their working environment;
  - empowering staff to design their own office layout, (with overarching guidelines and clear budget), has significantly improved morale and overall team working;
  - communication has improved through the removal of physical barriers;
  - less paperwork is generated and less e-mails sent through adopting a more structured approach to maintaining electronic information;
  - other financial savings have been identified such as rationalisation of printers and reduced number of personal computers;
  - the office environment 'feels' different, with visitors to floor 5 commenting on the 'professionalism' of the office and 'customer focus' of the staff;
  - An overflow/quiet working area has proved successful in terms of the quiet working but proved largely unnecessary for overflow purposes;
  - 8 desks to 10 people is easily achievable amongst full time office based staff. Given the staff group involved, this indicates that a lower ratio of workstations could be achieved generating further financial savings and benefits
- 2.5 The key challenge from the pilot was the lessons learnt around ICT. The existing ICT infrastructure was stretched to support the flexible working around PCs which caused performance issues in the initial months of operation. A temporary solution has been implemented to support floor 5, but relevant investment is required before this is rolled out across the council.
- 2.6 Flexible working entails people's IT software requirements built around the 'person' and accessed through a central server, as opposed to individual versions of software, (and associated licences), on stand alone machines. Staff can access the same front end ICT systems needed to undertake their work regardless of which building, or which individual machine, they are working on. The benefits of this approach are fundamental to the success of the Accommodation Strategy as this enables staff to work more flexibly, reduces ICT support and licence costs and changes the culture of staff being tied to one machine in one location.

### **3. Business Case**

- 3.1 The business case has been built around decanting staff out of nine current buildings into three core, professional office and client contact bases: Civic Centre, Windsor House and Midland House.
- 3.2 This will deliver revenue savings of £1.52 million per annum together with the cultural change for staff delivered via the improved working environment. We will design and invest in our remaining buildings to provide an improved environment for our clients and visitors. Also a more modernised IT infrastructure will be provided giving the potential for future changes and savings.
- 3.3 There will be a capital investment and one-off revenue costs required to enable the council to withdraw from the six office bases.

3.4 A cross departmental working group will be set up to determine the final locations for particular service areas and design the building layouts as required by clients and staff in those individual services.

3.5 The proposal is to terminate leases on:

- Ballard House,
- Dean Hill office,
- Fairbairn House and
- Pearl Assurance House

and vacate our existing owned buildings of Chaucer House and the former Southway Community College site.

3.6 The capital investment contains investment in ICT covering improvements to the servers required to deliver the flexibility and storage capacity to support flexible working, telephony, network cabling and a required data centre in Windsor House. Other core costs include:

- Essential investment to solve existing building issues at Windsor House and Civic Centre (for example, improvements to air circulation);
- Set workspace up to provide greater flexibility in accordance with the strategy;
- Buy out costs to exit existing lease arrangements;
- Physical cost of moving staff between locations into the new 'hot desking' environment;
- Demolition and disposal costs of council owned buildings

3.7 The business case minimises the costs associated with new furniture and equipment through, wherever reasonable and practical, reusing existing stock into newly designed accommodation layouts.

3.8 The primary revenue saving is generated from reducing rental & running costs no longer required on the vacated buildings. These are tangible costs which are largely within our control to reduce. There will also be secondary revenue savings, yet to be quantified, in relation to an overall reduction in IT support costs, savings in printing and stationery and reduced licence fees. In contrast, there is a risk of some reduced income from third parties and partners that currently utilise space in our buildings. Additional savings will be identified, and arising risks managed as part of a risk management process, as implementation of the strategy progresses.

3.9 Other than tangible financial savings, further benefits are generated with £5.5 million of backlog maintenance removed, 300 tonnes of CO2 emissions saved and potential capital receipts in the order of £1 million generated.

3.10 The projected cashflow on when capital investment is required compared to the timing of revenue benefits received is as follows:

<b>(k)</b>	<b>10/11</b>	<b>11/12</b>	<b>12/13</b>	<b>13/14</b>	<b>14/15</b>	<b>15/16</b>	<b>Total</b>
Capital investment	992	5398	60				6450
Capital Receipt				(500)	(500)		(1000)
Revenue Cost		800					800
Revenue saving	(30)	(715)	(1520)	(1520)	(1520)	(1520)	(6825)
<b>Total</b>	<b>962</b>	<b>5483</b>	<b>(1460)</b>	<b>(2020)</b>	<b>(2020)</b>	<b>(1520)</b>	<b>(575)</b>
<b>Cumulative</b>	<b>962</b>	<b>6445</b>	<b>4985</b>	<b>2965</b>	<b>945</b>	<b>(575)</b>	<b>(575)</b>

3.11 The implementation programme has flexibility to accommodate any potential changes brought about by unforeseen events which may require substitution of different buildings if circumstances change. For example, exploring further opportunities for shared assets with health and changes to circumstances surrounding the marketability of the Civic Centre.

#### **4. Timescales and key dates**

- 4.1 Proposed accommodation and staff moves of this nature require careful planning and effective project management. The principles of the Accommodation Strategy have been discussed at Corporate Management Team and each Departmental Management Team. There is wholesale support and 'buy in' for what we are trying to achieve.
- 4.2 The project to date has, predominately, been lead through the Corporate Support Directorate. However, having proven that the business case is achievable and beneficial to the council, relevant Assistant Directors from Community Services, Children's Services and Development and Regeneration, as well as front line staff, need to be fully involved in designing and implementing the solution within the prescribed time and budget constraints.
- 4.3 An integral part of the delivery programme surrounds communications with staff and trades unions. A communications plan will be implemented which focuses initially on staff within those buildings to be vacated to establish critical customer needs that will be affected by the rationalisation. Further consultation will then be carried out with all staff groups likely to be impacted by the implementation of the strategy.
- 4.4 The 2010/11 budget reductions that have been announced by Government over recent weeks and the indications of a very challenging Comprehensive Spending Review in October 2010, has placed greater emphasis on the need for finding alternative ways of working in order to protect front line service delivery.

- 4.5 The Accommodation Strategy will not only generate financial savings, but will improve the front line and support services that we provide. The council needs to maintain focus and momentum to implement the strategy at an appropriate pace whilst managing risks and considering all of the relevant associated policy and business needs.
- 4.6 The timescale for implementation will begin once formal approval is gained. As early as September 2010, the office in Dean Hill will be vacated.

## **5. Funding options and costs**

- 5.1 The primary costs in enabling the implementation of this stage are capital costs. The Corporate Management Team has previously discussed the need to consider valid 'invest to save' cases with Cabinet Planning.
- 5.2 The payback of this investment of £1.52m revenue savings per annum significantly outweigh the required revenue costs of exiting existing lease arrangements and any revenue costs associated with having to borrow the necessary capital investment.
- 5.3 The revenue savings accrued from the strategy are perpetual and not time limited. Revenue costs required to implement the Strategy during 2011/12 will be, in the main, offset by revenue savings generated in that year. Any timing issues around revenue costs vs revenue savings generated will be managed through the use of the council's existing accommodation reserve (primary purpose of this reserve is to manage the costs associated with the Civic Centre building)
- 5.4 An alternative option to borrowing would be to utilise the cash balances that the council currently holds. Returns on cashflow and investments are, in the current economic climate, very low. The council's current Treasury Management strategy restricts investment to a handful of secure organisations for which 12 month investments are attracting an interest rate of less than 1.8%.
- 5.5 In terms of value for money, it would be more cost effective, in the short to medium term, to fund the £6.45m required through reducing our investment portfolio as opposed to increasing our borrowing.
- 5.6 The principle of 'invest to save' is, in the main, to address the revenue financial challenges that we face in the next few years. However, it is important to retain the flexibility of invest to save as a core business tool for years to come. With this in mind, it is proposed that any approval of an invest to save scheme will seek a repayment contribution back into the council's invest to save provision.
- 5.7 For the Accommodation Strategy, bearing in mind the immediate pressures faced in 2010/11 and 2012/13, it is proposed that 10% of net annual revenue savings, (i.e. £152k per annum from 2012/13 onwards), will be reinvested into the council's invest to save provision.

## **6. Recommendations**

- 6.1 It is recommended that:

- a) Cabinet approve this stage of the Accommodation Strategy, i.e. vacating six satellite offices and focussing on three core office accommodation bases of Civic Centre, Windsor House and Midland House;
- b) Cabinet approve the capital investment and one-off revenue costs required to enable implementation of this stage of the strategy;
- c) Capital funding required is, where feasible, drawn from the council's existing investment portfolio, hence minimising further borrowing requirements;
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- e) A corporate provision is created into which each 'invest to save' scheme is required to make future financial contributions;
- f) From 2012/13 onwards, 10% of the revenue benefit from this invest to save scheme, (i.e. £152k per annum), is contributed to the council's corporate invest to save provision