SURREY
COUNTY COUNCIL

Overview & Scrutiny Select Committee
14 March 2012

Making a Difference – New Ways of Working

Purpose of the report:

This report, requested by the committee, provides an update on the Making a Difference benefits and business case.

The report sets out the background of the programme, the successes to date including the financial benefits for the County Council.

Introduction/Background:

1. The Making a Difference – New Ways of Working business case was approved by Cabinet on 28 September 2010 to deliver net savings over 10 years of £39m. The forecast net savings are expected to increase to £43m, primarily as a result of the freehold purchase of Consort House, approved by Cabinet in June 2011.

2. The aim of the Making A Difference programme is to contribute to the Corporate direction through the following:

   - Defining and building the culture needed to support 'new ways of working' and implement the required change across the organisation

   - Providing access to appropriate work environments for staff which supports new ways of working, thus enabling them to provide a better service to our customers

   - Reducing building costs through reconfiguration of office accommodation including closures of some buildings and increased utilisation of retained buildings

   - Delivering technology to support new ways of working.

3. To achieve these aims, the Making a Difference Programme brings together significant areas of work from across the council; office rationalisation, technology upgrade, greener travel, cultural change and

staff engagement.   The planning and delivery of the programme is successfully achieved through a strong integrated programme management approach across the disciplines within C&E and is supported by other service areas such as Communications and Transport.   This integrated approach helps to ensure that service colleagues know where to come to when they need support and assistance.

4.   The cultural change element of the project began with a significant programme of engagement with staff. The first round of "Making a Difference" conversations were focused on talking to staff about how technology can be used to support more efficient use of our office space, have an impact on the amount of business travel and improve how services are provided to our residents.   These conversations continue within and across teams, led by team managers and supported by Smarter Working project managers, and grow in depth and opportunity, as the new technologies reach each team.

5.   Through this engagement and through other feedback, investment in developing staff skills to continue to improve our management and leadership of the organisation has been a critical activity. The development of the STARS training and development programme has provided an environment to support staff to become good managers and leaders. The programme of training and coaching has run successfully since 2010 with over 20,000 episodes of training taking place and over 300 managers undertaking coaching training.

6.   Integral to the Making a Difference programme is the successful completion of the refresh of our IT infrastructure programme, providing both the right IT kit for staff to support the way they need to deliver their services to the public, but also strengthening the technological infrastructure required to support these more flexible ways of working. With the exception of the cost for the replacement IT disaster recovery centre, the re-provision of IT was subject to separate funding stream (Cabinet approval November 2009), but merges with this programme for effective delivery purposes.

7.   Also at the core of the programme is the office portfolio. A survey identified that our buildings were not as fully utilised as they could be, with occupancy at, on average 48%, compared to industry norms of 70%. Many of these buildings were leased to the County Council and were reaching their renewal date and this provided an opportunity to improve our occupancy levels and save money by not extending leases. Coupled with this and feedback from services, particularly Adult Care, indicated that there was a strong desire to deliver services in a more integrated way with Boroughs and Districts. The higher level of occupancy that could be achieved, identified that instead of a desk ratio of 1:1, it would be possible, with new technology, to achieve on average 3:5 (3 desks to 5 people) ratio.

8.   The business case approved by Cabinet in 2010 delivers net end-state savings of £5.5m per annum and a net benefit over a 10-year period of

£39m and is included in the financial strategy and the Medium Term Financial Plan through to 2017.

9. The most significant change to the business case approved in 2010 is the purchase of the freehold interest in Consort House, Redhill to replace Omnibus in Reigate, held on leasehold terms. The business case and acquisition was approved by Cabinet in June 2011.

Business Case and Benefits Management

The Business case

10. The business case takes account of estimated gross funding costs and the revenue required for repaying loans for the capital spend, one-off project costs and impact on ongoing revenue costs. All known costs associated with the implementation of the programme have been included, with the exception of:

   a. Potential redundancy costs for those staff where the office move is considered "unreasonable" for the employee.

   b. Potential impact on business travel and expenses (note however that the estimated cost of the workplace relocation payment to individual staff has been included).

   However offsetting these costs will be productivity gains within services from the enhanced mobile technology including:

   c. Staff more accessible to service users

   d. Remote access to systems improving service delivery

   e. Productivity increases from using gaps between meetings and visits more effectively.

11. The business case is reviewed and validated on a quarterly basis, with significant changes reported to Cabinet if required, for example approval to purchase the freehold interest in Consort House, Redhill was granted by Cabinet in June 2011.

12. The implementation costs are divided in to the following areas: Buildings (rentals, stamp duty, dilapidations, building reconfiguration, purchase of furniture); move costs; IT costs (installation & moves; decommissioning; disaster recovery centre; wifi), work-based relocation costs and project team costs.

13. Many of these costs change during the period of the programme, and it is for this reason that the business case is updated from the approved baseline. Reasons for change include:

   a. Exact rental costs at Borough and District offices.

   b. Renegotiated lease rates at larger buildings, such as Quadrant Court;

   c. Precise cost for the data disaster recovery centre and

    d. Finalised prices for office layout improvements as relocations reach implementation phase.

    e. More or less staff need support through the work-based relocation grant as changed locations occur.

14. Appendix 1 shows the baseline business case approved in 2010 across these areas and the current forecast profile of spend. The most significant change is due to the purchase of Consort House. This freehold purchase is the main reason for the increase in net benefits over the 10 year term from £39.3m to £42.9m. The purchase of Consort House is financially advantageous over the longer term but as the original business case anticipated a rent-free period and reverse premium on the renewal of the lease at Omnibus, Reigate there has been reduction in the net savings in the achieved in the current financial year.

15. The analysis provided in Appendix 1 mirrors the presentation of the business case approved by Cabinet in 2010 and demonstrates the impact of the project on the council's budget. The calculation of the net project benefit recognises the funding cost of the initial capital outlay and demonstrates that the project is affordable. An alternative way to evaluate the project is based on a cashflow analysis and these can be summarised as follows-

£000s	Original Business Case	Forecast Business Case
Project Implementation	4,998	4,432
Consort House		9,904
Total Capital Spend	4,998	14,336
Project Implementation	7,960	8,397
Consort House		1,001
Total Revenue Spend	7,960	9,398
Total Implementation Costs	12,958	23,734
Saving over 10 Years	(53,064)	(61,792)
Net Present Value *	(30,200)	(33,992)
Internal Rate of Return *	**36%**	**37%**

* Adjusted to recognise the value of freehold asset at end of 10 year term assuming an increase in value of 2.5% p.a.

16. Workplace relocation costs are significantly higher than expected and are in part due to the original assumptions made when creating the

baseline business case. There have been more moves from retained offices than expected which have occurred in order to facilitate co-location of services in the reshaped portfolio. Offsetting these pressures are expected savings against dilapidation claims and the Electronic Document & Record Management (EDRM) element of the programme. Overall revenue project expenditure, over the lifetime of the project, is expected to be overspent by £0.4m. However, this position will be kept under regular review and management.

17. Capital expenditure is expected to be lower than originally anticipated primarily as a result of the replacement disaster recovery data centre. The council was able to secure an existing data centre, saving £0.7m against the original approved business case. Spend on furniture and office reconfiguration is expected to be higher than originally anticipated primarily as a result of the co-location and service integration with District & Borough councils. Overall the capital is expected to be approximately £0.5m under budget.

18. The table below focuses on the actual spend to date on project implementation costs and the full year projection for 2011/12. As can be seen from the current profile there is a potentially significant underspend on a number of areas, including dilapidations, Electronic Document & Record Management (EDRM) and mobile technology. This is partially offset by overspends in other areas, such as moving costs, work-place relocation costs and project team costs. A carry-forward will be required at year-end in order to complete the programme of works. The updated Medium Term Financial Plan has remained as per the approved budget for the project and carry-forwards have been used to adjust for timing differences across financial years.

Project Implementation Costs 2011 / 12[1]

£000s	Actual Spend (January 2012)	Forecast
Project Team	306	404
Moving Costs *	666	612
Workbase Relocation Grants	322	430
Dilapidations	0	1,123
IT - DR Data Centre	0	115
IT - Electronic Document Management	99	255
IT - Installation & Moves	403	534
IT - Mobile working	0	186
New D&B-Network install	22	31
Consort House-Moving Expenses	10	10
Total Project Cost	**1,828**	**3,699**

 * Actual YTD includes some costs to be transferred

---

[1] Numbers may not sum due to roundings

19. As identified in paragraph 6 above, purchase of new IT kit has, and continues to be informed by the Making a Difference programme as well as by service needs, but is separate to this business case. The assumptions made within the IT refresh capital programme was for a refresh to the old IT kit, which would have replaced like for like – e.g. as many static desktop as there were at the time. Through the initial Making a Difference conversations, it became apparent that staff would be better placed to improve their delivery to the residents, through other forms of more flexible IT kit. This change of emphasis has put pressure on the IT refresh business case, but overall the business case remains on target and supporting improvements in service delivery.

20. The following provides a summary of the changes to the implementation costs .

   a. Dilapidations: As with any leased building there is a dilapidations liability at the end of occupation. There are outstanding negotiations on the buildings which the county council no longer occupies and these will be settled when the county council believes that it is a fair and reasonable settlement.

   b. EDRM: This area of the programme only started in recent months as there was a need to focus ensuring that the EDRM implemented in Adults was successful. Lessons learnt from this implementation, has started to inform the type of EDRM that would be appropriate to the rest of the Council.

   c. Mobile Technology: As the roll out of the new IT kit concludes there will an increase in spending in this area to support the more flexible ways of working. Including in these costs will be wifi connectivity for County Hall.

   d. IT Installations and Moves: The delay in finalising the rental charges for occupying borough and district offices has meant a slower spend against the budget. However, this will continue to be required in 2012/13 to conclude the moves and associated installations.

   e. Moving Costs: Pressures has been on this budget area as there have been additional moves required to support changes required to support service improvements. This includes supporting the implementation of the Youth service PVR, moving staff from operational buildings to offices.

   f. Work-place Relocation costs: There have been a number of staff who met the criteria for this allowance following both the closure of offices and associated relocation as well as changes to service structures and required relocation.

   g. Project Team costs: During the peak of the moves additional resources were brought in to support the teams going through the

change and ensure that these happened as speedily and efficiently as possible for staff. In the future these costs will reduce and support to increase flexible ways of working will be provided by Smarter Working Project Managers.

The Benefits

21. The Benefits to date include:

   a. Rental savings from the closure of 2 buildings (£3.4m per annum)

   b. Adult care services are co-located with 6 boroughs and districts (a further 3 co-locations by June 2012).

   c. Over 2,100 laptops and replaced 1,400 desktops devices have been issued to nearly 50% of the workforce to support more flexible ways of working. The roll out programme will be complete by the end of April.

   d. 3:5 desk ratio has been achieved in our major offices in the county.

   e. Through coaching and conversations managers are changing the way that they manage staff – from presentism to more flexible ways of working.

   f. The number of staff identified in February 2010 as "static" (needing a desk and PC) has moved to a "mobile" profile (needing a lap top and space to connect). The table below shows changes in profile types, which is helping to support staff to deliver services to our residents in a more efficient way. There are also now more staff included in the Making a Difference programme, who previously had been in operational buildings and have moved into office accommodation. It is appropriate to combine service change with the programme where initial programme costs may increase but in the longer term it will improve office utilisation and improve flexible ways of working and service delivery.

	Static (Dweller/Team resident/Venue User)	Mobile (networker/roamer)	Home worker	Total
August 2010	62.10%	37.19%	0.71%	100.00%
February 2012	55.24%	44.35%	0.41%	100.00%

22. As the IT kit continues to roll out to staff and they have the chance to experience new and more flexible ways of working, the programme through managers and smarter working managers, will support staff by ensuring that process and good management practice can continue to increase that flexibility.

23. To continue to achieve our aims and meet the financial savings, there are further phases of activity to progress and our targets for 2012-17 include the following:

a. Support staff and managers with coaching, tools and techniques to be innovative about how their work can be done for the benefit of the public we serve.

b. Reduce desk spaces to focus on zones to support different ways of working: Quiet zones, meeting spaces, think tank space zones. – Desks reduced to 2,800 by 2015/16 (from 4,000 in 2010/11).

c. Electronic Document Management (EDRM) is used by all directorates (currently used by Adults and E&I for core data management).

d. Reduce Business Mileage - Base of 8.4m (2009/10) to 6.2m by 2014.

e. Continue our co-location programme with borough and districts.

f. Further lease disposals in 2014/15 will be achieved through Absolute House in Frimley and part of Farnham Hospital.

The Challenges.

24. The business case and programme of activities faces challenges to achieve the culture and smarter ways of working, the council aspires to. We will continue to address these as they present themselves, however in summary these include:

a. Access to car parking. – There is a need to ensure that the car parking criteria, based on business requirements, is appropriate to the changing environment that more flexible ways of working will bring.

b. To resource the support to teams efficiently and quickly to help teams improve service delivery. There is a great desire by many managers and staff to take advantage of the new technology and the programme needs to be in a position to support managers through active engagement and practical tools.

c. The continuing demand for more and different technologies will need to reflect the direction of travel by the authority for its IT requirements.

d. Changing the office environment to meet the changing need of staff requirements may not be achieved as quickly as staff would wish.

e. The redesign of services to improve service delivery continues to affect the reconfiguration of the office portfolio. Where possible the programme supports these changes with a view to maximising our office spaces and reducing property running costs and potentially generating capital receipt for the authority.

Conclusions:

25. The Making a Difference programme is a significant culture change programme for the authority, which will deliver a range of benefits for the county council, our staff and our residents.

26. The business case is robust and is monitored to ensure that it operates within the financial framework of the council.

Equalities Implications

27. Through engagement any issues of equality, fairness and dignity are addressed to ensure that individuals, team and residents requirement are understood.

Risk Management Implications

28. A risk and issues log operates for this programme.

Implications for the Council's Priorities or Community Strategy

29. As part of the Making A Difference programme, the rationalisation of office accommodation, along with new technology, and the cultural change programme will ensure that we have new, smarter ways of working and achieve a mind-set shift – a cultural change – across the organisation, which equips our workforce to deliver better and different services and make a difference to our customers. As well as improving the productivity, efficiency and value for money of both our workforce and our buildings.

Recommendations:

30. The Overview and Scrutiny Committee are requested to:
    a. Note the content of report.
    b. Recognise the progress of the Making a Difference programme and the strong viability of the business case.
    c. Acknowledge the requirement for a carry forward of the 2011/12 out-turn figure for the programme.
    d. Note to Cabinet supporting the programme

Next steps:

The programme will continue to deliver its integrated activities to achieve aims and outcomes as set out above.

Report contact: Al Braithwaite, Head of Transformation

Contact details: 02085417053

Sources/background papers:
Cabinet Report – Making a Difference- New Ways of Working, 28 September 2010.
Cabinet Report – Proposed freehold purchase of Consort House, Redhill, 21st June 2011

Approved and Updated Business Case
Table 1 Business Case Summary[2]

a) Approved by Cabinet 28.09.2010

£000s	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
		1	2	3	4	5	6	7	8	9	10	
Funding costs	0	601	639	639	639	639	522	522	522	522	522	5,766
Change in ongoing costs	207	(3,234)	(5,530)	(5,718)	(5,663)	(5,521)	(5,521)	(5,521)	(5,521)	(5,521)	(5,521)	(53,064)
Project cost	2,367	2,993	1,372	631	480	82	26	11	0	0	0	7,960
Net cost / (saving)	**2,574**	**359**	**(3,520)**	**(4,449)**	**(4,545)**	**(4,800)**	**(4,973)**	**(4,988)**	**(4,999)**	**(4,999)**	**(4,999)**	**(39,338)**
Cumulative	2,574	2,933	(586)	(5,035)	(9,581)	(14,381)	(19,354)	(24,342)	(29,341)	(34,339)	(39,338)	

b) Forecast as at February 2012

£000s	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
		1	2	3	4	5	6	7	8	9	10	
Funding costs	0	394	1,019	1,047	1,047	1,047	987	987	987	987	987	9,488
Change in ongoing costs	122	(2,627)	(6,262)	(6,534)	(6,090)	(6,733)	(6,733)	(6,733)	(6,733)	(6,733)	(6,733)	(61,792)
Project cost	1,245	3,699	2,337	1,216	631	209	41	20	0	0	0	9,398
Net cost / (saving)	**1,367**	**1,466**	**(2,907)**	**(4,272)**	**(4,412)**	**(5,477)**	**(5,706)**	**(5,726)**	**(5,746)**	**(5,746)**	**(5,746)**	**(42,906)**
Cumulative	1,367	2,833	(74)	(4,346)	(8,757)	(14,234)	(19,940)	(25,666)	(31,413)	(37,159)	(42,906)	

Variance to Approved Business Case

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Latest Net cost / (saving)	1,367	1,466	(2,907)	(4,272)	(4,412)	(5,477)	(5,706)	(5,726)	(5,746)	(5,746)	(5,746)	(42,906)
Approved Business Case	2,574	359	(3,520)	(4,449)	(4,545)	(4,800)	(4,973)	(4,988)	(4,999)	(4,999)	(4,999)	(39,338)
Variance	*(1,207)*	*1,107*	*613*	*177*	*134*	*(677)*	*(733)*	*(738)*	*(748)*	*(748)*	*(748)*	*(3,568)*

[2] Numbers may not sum due to roundings

Table 2 Capital Spend & Funding[3]
a) Approved by Cabinet 28.09.2010

£000s	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	0	1	2	3	4	5	6	7	8	9	10	
1. Capital Spend												
Reconfiguration of existing offices	1,020	300	0	0	20	0	0	0	0	0	0	1,340
IT Mobile working Implementation	100	100	100	0	0	0	0	0	0	0	0	300
EDRM implementation	128	0	0	0	0	0	0	0	0	0	0	128
IT DR Data Centre	1,035	0	0	0	0	0	0	0	0	0	0	1,035
Furniture purchases	1,048	734	314	0	0	0	0	0	0	0	0	2,096
Contingency	50	50										100
Total Project Capital Cost	3,380	1,184	414	0	20	0	0	0	0	0	0	4,998
2. Funding Cost												
Office & Building works	0	82	108	108	108	108	108	108	108	108	108	1,054
Data Centre	0	137	137	137	137	137	137	137	137	137	137	1,369
Other	0	381	394	394	394	394	277	277	277	277	277	3,342
Total Funding	0	601	639	639	639	639	522	522	522	522	522	5,766

The funding costs - (cost of borrowing and revenue provision for paying back loans) - has been calculated over the estimated useful life of the asset. The funding cost for Office & Building reconfiguration works has been calculated over 25 years.

---

[3] Numbers may not sum due to roundings

b) Forecast as at February 2012

£000s	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	0	1	2	3	4	5	6	7	8	9	10	
1. Capital Spend												
Consort House Purchase & fees *	0	8,304	0	0	0	0	0	0	0	0	0	8,304
Consort House fit-out *	0	126	1,474	0	0	0	0	0	0	0	0	1,600
Reconfiguration of offices	642	647	260	0	20	0	0	0	0	0	0	1,569
IT Mobile working Implementation	0	37	60	0	0	0	0	0	0	0	0	97
EDRM implementation	0	0	0	0	0	0	0	0	0	0	0	0
IT DR Data Centre	255	120	0	0	0	0	0	0	0	0	0	375
Furniture purchases	574	1,473	170	0	0	0	0	0	0	0	0	2,217
Contingency	0	50	125	0	0	0	0	0	0	0	0	175
Total Project Capital Cost	1,471	10,756	2,089	0	20	0	0	0	0	0	0	14,336
2. Funding Cost												
Consort House	0	0	518	518	518	518	518	518	518	518	518	4,659
Office & Building works	0	52	104	126	126	126	126	126	126	126	126	1,167
Data Centre	0	46	50	50	50	50	50	50	50	50	50	492
Other	0	296	348	353	353	353	293	293	293	293	293	3,170
Total Funding	0	394	1,019	1,047	1,047	1,047	987	987	987	987	987	9,488

Notes

- Consort House Cabinet Paper (June 2011) approved capital spend of £9.9m. Total approved capital spend £14.9m. Potential underspend £0.5m
- Funding cost for Consort House calculated on interest only basis in order to recognise value of freehold asset (as per Cabinet Report)

Table 3 Project Implementation Costs[4]
a) Approved by Cabinet 28.09.2010

£000s	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
Project Team	302	295	148									745
Moving Costs	570	301	87	14	32							1,003
Workbase Relocation Grants	39	247	278	296	103	82	26	11				1,082
Dilapidations	235	1,279	212	57	305							2,089
IT - DR Data Centre	90											90
IT - Electronic Document Management	204	330	330	247								1,111
IT - Installation & Moves	679	358	104	16	39							1,196
IT - Mobile working	100	100	100									300
New D&B-Network install	65	0	30									95
Contingency	83	83	83									250
Total Project Cost	**2,367**	**2,993**	**1,372**	**631**	**480**	**82**	**26**	**11**	**0**	**0**	**0**	**7,960**

---

[4] Numbers may not sum due to roundings

b) Forecast as at February 2012

£000s	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
Project Team	360	404	164	0	0	0	0	0	0	0	0	928
Moving Costs	471	612	153	101	32	0	0	0	0	0	0	1,369
Workbase Relocation Grants	21	430	467	588	200	183	41	20	0	0	0	1,950
Dilapidations	0	1,123	100	57	305	0	0	0	0	0	0	1,586
IT - DR Data Centre	0	115	0	0	0	0	0	0	0	0	0	115
IT - Electronic Document Management	0	255	267	267	0	0	0	0	0	0	0	789
IT - Installation & Moves	393	534	90	123	15	0	0	0	0	0	0	1,155
IT - Mobile working	0	186	140	0	0	0	0	0	0	0	0	326
New D&B-Network install	0	31	74	0	0	0	0	0	0	0	0	105
Consort House-Moving Expenses	0	10	330	0	0	0	0	0	0	0	0	340
Consort House-Network	0	0	100	0	0	0	0	0	0	0	0	100
Consort House-Omnibus Dilapidations	0	0	324	0	0	0	0	0	0	0	0	324
Consort House - Workplace Relocation	0	0	53	79	79	26	0	0	0	0	0	237
Contingency	0	0	75	0	0	0	0	0	0	0	0	75
Total Project Cost	**1,245**	**3,699**	**2,337**	**1,216**	**631**	**209**	**41**	**20**	**0**	**0**	**0**	**9,398**

Summary	Budget	Forecast	Variance
MaD Approved Business Case	7,960	8,397	437
Consort House Approved Project Costs	1,001	1,001	0
Total	**8,961**	**9,398**	**437**