

SURREY COUNTY COUNCIL**CABINET****DATE: 26 JANUARY 2021****REPORT OF: MR MEL FEW, CABINET MEMBER FOR RESOURCES****LEAD OFFICER: LEIGH WHITEHOUSE, EXECUTIVE DIRECTOR OF RESOURCES****SUBJECT: AGILE OFFICE ESTATE STRATEGY (AOES)****ORGANISATION ENABLING A GREENER FUTURE****STRATEGY PRIORITY****AREA:****SUMMARY OF ISSUE:**

This paper sets out the need for urgent restructuring of the corporate office estate and outlines the proposed solution via a new Agile Office Estate Strategy for Surrey County Council. The draft strategy puts recent decisions around County Hall and Woodhatch Place into context, as well as providing a framework for future decisions on transformation of the council office estate and a catalyst to the implementation of the wider corporate estate transformation.

This paper contributes to enabling a greener future, agile transformation programme, and aligns to Medium-Term Financial Strategy.

Agreement is sought to the overall direction set out in the accompanying Agile Office Estate strategy document and allocation of the investment required to develop the next stage - a full programme business case (to include details of full programme costs, timescales, efficiencies, benefits etc).

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Agree the outline Agile Office Estate Strategy overall direction of travel and its proposal to develop an associated Agile Office Estate Programme.
2. Agree to the allocation of £300k programme budget funding for dedicated external resources required to develop programme detail including a full Programme Business Case.
3. Request that a finalised Strategy and Programme Business Case seeking approval of required resources to deliver the full programme be produced by Q2 2021 for submission.

*To note - Further capital investment is likely be required to either acquire new, or fit-out existing, assets to enable the achievement of the Agile Office Estate Transformation.

REASON FOR RECOMMENDATIONS:

The County Council's office estate has evolved over time with some but not a completely coordinated approach. This has brought about a situation where the current corporate office estate is no longer fit for purpose and subject to several weaknesses. The most striking

example of many of these characteristics is County Hall, which has been outside of the County boundaries since 1965.

Specifically, the current corporate office estate is:

- of generally low quality, that does not efficiently support the adoption of Agile modern working practices.
- expensive compared to industry benchmarks and expensive to maintain.
- high in its carbon output with poor energy efficiency.
- relatively poorly located and under-utilised.

This Agile Office Estate strategy proposes to address these issues by adopting a strategically led approach to transforming the County Council's corporate office estate.

Using the move out of County Hall as a catalyst and embracing the principles of the One Public Estate, while recognising that the impact of Covid has created a major step change in the way the organisation operates. The following benefits will be targeted through the work of the strategy:

- Reduce overall spend on the office estate by c£3m per annum.
- Reduce overall space from c50,000m² to c20,000m².
- All offices to be within County.
- Carbon emissions to fall from 2,600 tonnes per annum to net zero by 2030.

Key strategic public sector partners will be engaged to identify collaborative opportunities to enable closer and more effective working across organisations as well as delivering financial efficiencies across the public sector in Surrey.

DETAILS:

1. **Location:** Analysis undertaken on the council's existing office estate has demonstrated several shortcomings, which are the result of a failure to manage the estate in a coherent and strategic manner, and which are ultimately resolvable by implementing an evidence based and strategically aligned approach to the development and maintenance of the estate.
2. Against this backdrop, the nature of office space and the requirement for it have changed significantly, with the development of technology that makes being physically 'in the office' progressively less important. The adaptations that have been made in working approaches over the past year due to the restrictions arising from the Covid 19 pandemic have significantly accelerated this agenda, even though the conditions they impose are not a blueprint for the future.
3. The past year has demonstrated the validity of assumptions made in the council's agile working strategy about the ability to work remotely, which leads to a need for significantly less office space, and a change in what office space will be used for.

Summary of Key Drivers

The analysis above sets out a series of key drivers that provide the need and the impetus for the new Agile Office Estate:

• Financial	The current estate is expensive, with significant and prohibitive backlog maintenance costs
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• Location	The Council's HQ and largest office has been outside of the county for over five decades. Coverage across the County is uneven
• Environmental	The estate lacks modern environmentally friendly buildings and is a sizable contributor to our overall emissions
• Quality and suitability	Office quality is generally quite poor, and is not well aligned to our vision of an agile way of working
• One Public Estate	Our buildings are not set up to allow co-location and collaboration with partners, despite an appetite to explore this.

4. **The Agile Office Estate:** building on the decision to move out of County Hall and to relocate the Civic Heart is the catalyst for a transformation of the office estate. Options include being centred around four main office hubs with a reduced number of satellite offices, which as a rule would make better use of our operational estate and help to respond to the key drivers and to achieve our objectives in relation to the estate.
5. An office hub located in each quadrant will act as a focal point and ensure that SCC have a presence closer to all residents. The programme will review and rationalise our leasehold estate by exploring the ability to consolidate into the hubs, or to utilise space created by the complementary transformation of our operational estate. In order to facilitate stronger partnership working, the focus will be to explore the potential to accommodate partners within our estate in a way that facilitates closer working and collaboration, through co-location and the provision of collaborative space.
6. Modernisation will allow us to transform the environmental impact of our buildings, and to work towards the target of being carbon neutral by 2030. It will assist with generate efficiencies and avoid a significant future cost by removing the maintenance backlog.

Summary of Key Targets:

• Financial	Reduce annual running costs by c£3m from £7m to £4m per annum Eradicate the £39m maintenance backlog, and avoid that cost for the County Council
• Location	Operate from an estate entirely within the County, and with the Civic Heart in Surrey itself.
• Environmental	Achieve the 2030 target for a net zero (carbon neutral) office estate. Improve the median energy efficiency
• Quality and suitability	Develop a fully agile office estate. Shifting the balance between fixed desk and collaborative space from 85/15 to 50/50 where possible.
• One Public Estate	Develop inter-operability for partners within our estate Let space to partners on either VFM or service benefit grounds.

CONSULTATION:

7. In late 2018, the Leader of the Council made a commitment to return the County Council's "Civic Heart" to the county itself, righting an issue that has been present for over five decades since local government restructuring incorporated the area in which

County Hall is located into Greater London. As well as moving the county council's functions closer to the residents they are designed to serve, this move has provided a once in a generation opportunity to re-imagine the office requirements for the county council.

8. The Agile Office Estate programme will form part of the x3 core programmes workstreams required to deliver the Agile Organisational programme transforming Surrey County Council:
 - Agile Workforce (operational) programme
 - Agile Office Estate programme
 - Agile Digital programme

As part of the current Agile Organisational programme the change management process was initiated in August and the business requirements process in October 2020. To date the team have engaged teams across all the services based in County Hall, and initiated departmental lead engagement sessions, these are led by the Agile Operational Programme manager and are designed to start sharing the output from our planning processes, this includes space and adjacency, mobilisation and business continuity actions. These sessions will continue up to, through and post mobilisation to ensure the teams can maintain business continuity at their new locations.

9. The Agile Organisational Programme supported key teams in the sudden transition to remote working following lockdown in March 2020 and began engaging with teams on ways of working and moving to a more agile culture in early summer, in advance of the notification of the County Hall closure date.
10. The workforce focused programme will continue to ensure operational readiness and embed Agile working. Through this engagement the Agile Office Estates programme will be supplied with the service demand and operational detail to enable the development of an estate which enables optimal service delivery.

RISK MANAGEMENT AND IMPLICATIONS:

11. A full robust programme delivery approach will be established with Governance including risk management strategies following public sector best practice Green Book standards and established Programme and Project Management (PPM) principles.
12. There is a risk that rationalisation of the office accommodation could cause disruption to service delivery and staff whilst moving offices – impacts will be considered on a building-by-building basis through a Comprehensive Impact Assessment (CIA) and if appropriate, a business continuity plan will be developed.
13. Staff will be fully engaged and supported throughout the process to minimise disruption. Unions and HR will be involved where appropriate to ensure staff are supported in this transition.
14. There is a risk that too many disposals of assets at once would have a negative impact on service delivery and the market, resulting in deflated prices. To mitigate the impact of this a disposal strategy will be produced, which will phase disposals as new space is completed and consider a cash flow plan to achieve maximum value from exited buildings.
15. There is a risk that the estate will not be ready by 2030 to be carbon neutral – we will be moving towards far more efficient buildings, with all refurbishments and new

buildings commissioned through this programme, ensuring they meet high environmental standards, whilst using our 'green design principles' to ensure assets are built sustainably, with carbon capture through construction methods, renewables, electric vehicle charging points and sustainable building approaches, including building for an extended 60-year life. Furthermore detailing options for residual emission to be offset by natural or engineered sinks where possible.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

16. Resourcing to procure external specialist resources required to complete the analysis and additional workstream required for completion of the full Programme Business Case is estimated to be £300,000, up to Q2.2021.
17. This funding envelope will be drawn against through fully compliant procurement frameworks based on supplier quotes to stand up an integrated team which addresses strategy/creation/capture/support, business case development/production, programme management (and elements of PMO, subject to SCC capacity), include but not limited to the following activities / specialism:
 - Programme / Project Manager
 - Corporate real estate financial analysis / modelling
 - Specialist surveying resources
 - Project Management Office support to develop delivery programme options and support team
18. Cost: From the condition survey reports, the office estate now has a backlog of c£39m in maintenance cost for works and due to budget constraints only compliance works are currently being delivered. If nothing is done, just to address current backlog would require approval to invest c£39m in capital works to remediate these issues.
19. This programme will look to optimise the estate, disposing of leased assets no longer required and developing / acquiring freeholds assets as part of the approach to building a freehold long-term estate fit for the future.
20. The programme will look to continue the development of an office estate which would generate savings of up to £3m annual revenue costs relating to the estate. Savings are also to be driven by reconfiguring the office space to be Agile working and workspace environment to enable an average daily utilisation reduction which is targeting a c60% reduction of the estate footprint.
21. However, savings will only be derived from the transformation of the current estate model, which will require some upfront capital investment to modernise the retained offices, acquired freehold space where required, and exit the current stock of lease offices as the estate footprint is reduced in size over time. In addition, there may be temporary increased revenue costs while the transition to a rationalised office estate takes place. We would look to mitigate these either within the existing Land & Property revenue budgets or by utilising an Invest to Save process.
22. Land and Property will come back to Cabinet (planned for Q1 2021/22) with further details for consideration once the programme team has been stood up, the financial model developed, and the full programme business case completed.

SECTION 151 OFFICER COMMENTARY

23. Although significant progress has been made over the last twelve months to improve the Council's financial position, the medium-term financial outlook is uncertain. The public health crisis has resulted in increased costs which may not be fully funded in the current year. With uncertainty about the ongoing impact of this and no clarity on the extent to which both central and local funding sources might be affected from next year onward, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority in order to ensure stable provision of services in the medium term.
24. As such, the Section 151 Officer supports the draft Agile Office Estate Strategy. The required resources to develop a detailed proposal of £300k will be funded either from within existing resources or will be charged to an invest to save fund, with future efficiencies being required to 'repay' the fund before being able to be realised as ongoing revenue cost reductions within the service. The targeted efficiencies from this strategy, set out above, are factored into the Medium-Term Financial Strategy.

LEGAL IMPLICATIONS – MONITORING OFFICER

25. At this stage the Cabinet is being asked to approve a direction of travel, to agree in principle the need for an Agile Office Estate strategy and the development of an associated delivery programme to address significant issues with the current corporate office estate. Therefore, there are no immediate legal implications.
26. Implementation of the AOE strategy is likely to involve disposals and may also require acquisitions. Under Section 123 of the Local Government Act 1972, the Council has the power to dispose of land in any manner they wish, subject to the disposal being for the best consideration reasonably obtainable. Section 120 of the Local Government Act 1972 empowers the Council to acquire land for the purposes of any of its functions.
27. As plans are formalised and there are proposals to make changes to the corporate office estate, it will be necessary to return such matters before Cabinet for further approval and an assessment of legal implications can be provided in respect of specific proposals.

EQUALITIES AND DIVERSITY

28. There is no impact on the Equality Impact Assessment. This proposal will ensure that the buildings improved upon are compliant to all accessibility regulations and laws and the improvements will be in line with the gender equality standards.

OTHER IMPLICATIONS:

29. The potential implications for the following council priorities and policy areas have been considered. Where the impact is potentially significant a summary of the issues is set out in detail below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	Meeting rooms used in office buildings for service consultation will

	have improved privacy and practicality for service use.
Safeguarding responsibilities for vulnerable children and adults	Meetings rooms used in office space for service consultation will have improved privacy and practicality for usage for service use.
Environmental sustainability	Surrey has an ambition to achieve a net zero carbon Corporate Estate by 2030 The program will include consideration of all options to rationalise or invest in the estate to support delivery of this ambition
Public Health	Surrey's council office buildings will all be compliant and safe for both employees and the public

CORPORATE PARENTING/LOOKED AFTER CHILDREN IMPLICATIONS

30. The estate transformation will improve the consultation and working areas required by corporate parenting or looked after children. Specifically, the proposed programme will target the corporate office facilities utilised by the service to ensure they meet current and future needs.

SAFEGUARDING RESPONSIBILITIES FOR VULNERABLE CHILDREN AND ADULTS IMPLICATIONS

31. The office estate transformation will improve the consultation and working areas for employees and residence of vulnerable children or adults.
32. The office estate programme will be drive from organisational wider engagement with services through the Agile Workforce programme to ensure it is shaped by and meets demand to enable efficient service delivery.

ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

33. In 2019 Surrey declared a climate emergency and SCC has an ambition to achieve a net zero carbon Corporate Estate by 2030 to support a net zero carbon Surrey by 2050.
34. Annual CO2 emissions across the council are currently over 4,991 tonnes, that's 2.5 million cubic metres a year, approximately the space of 24,683 double decker buses. It would take the annual growth from around half a million trees to offset this carbon footprint. The dated and poorly maintained corporate office estate is a net contributor this carbon footprint producing over 2,600 tonnes of CO2 per year, something which needs to be addressed if the net zero 2030 target is to be reached.
35. We are targeting a carbon neutral estate by 2030. Directly, we will be moving towards far more efficient buildings, with environmental standards in line with the greener future agenda. Our Green design principles will ensure assets are built sustainably, with carbon capture through construction methods, renewables, electric vehicle charging points and sustainable building approaches, including building for an extended 60-year life. Indirectly the estate contributes to carbon production, mainly through staff travel. Through our investment in the modern workplace, linkages with agile working collaboration with touch down spaces, and locating our assets in the right place, well

connected to public transport near where people live, we can significantly reduce the associated travel impact of our estate.

PUBLIC HEALTH IMPLICATIONS

36. There are no public health implications.

WHAT HAPPENS NEXT:

37. Upon approval of funding, procurement of external resources required (alongside internal expertise) will be undertaken and programme team stood up to undertake workstreams required for development of a full detailed programme business case.

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Consulted:

All employees based at County Hall have been consulted. All Surrey County Council employees have been informed of current known move dates related to the Agile Organisation Programme elements.

Annexes:

Annex 1 – Outline - Agile Office Estate Strategy 2021-2025
