

SURREY COUNTY COUNCIL

CABINET



DATE:	20 DECEMBER 2022
REPORT OF CABINET MEMBER:	NATALIE BRAMHALL, CABINET MEMBER FOR PROPERTY AND WASTE
LEAD OFFICER:	LEIGH WHITEHOUSE, DEPUTY CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR FOR RESOURCES
SUBJECT:	AGILE OFFICE ESTATE – NORTH-WEST AND SOUTH-WEST CORPORATE OFFICE WORKSPACE
ORGANISATION STRATEGY PRIORITY AREA:	GROWING A SUSTAINABLE ECONOMY SO EVERYONE CAN BENEFIT/ ENABLING A GREENER FUTURE/ EMPOWERING COMMUNITIES

Purpose of the Report:

This report seeks Cabinet approval for the north-west and south-west elements of the Agile Office Estate (AOE) strategy, to complete a programme plan for the county-wide rationalisation and modernisation of Surrey County Council's (the Council) office centric workspace.

Following Cabinet approval in December 2021 for the funding and implementation of the AOE strategy (the final element of the Agile Organisation Programme), this report addresses Cabinet's request to undertake further work to review and analyse the wider Council office property requirements in the north-west quadrant of Surrey and identify the best value option to meet service needs.

The analysis review concluded that whilst the Council requires less corporate space overall, its needs and best value will be achieved through releasing inflexible, dated premises and acquiring two new, smaller, flexible core workspaces in Woking and Guildford to best serve residents in the north-west and south-west of Surrey.

The final recommendations are summarised in this Part 1 report. The detailed business case is commercially sensitive at this time and is set out in the Part 2 report. It should be noted that all recommendations continue to ensure the programme offsets upfront costs and provides long-term annual revenue efficiencies, a key foundation of the strategy.

Recommendations:

It is recommended that Cabinet:

1. Agrees to further consolidation into existing corporate estate, maximising the use of Hubs and ensuring minimal spokes¹ and optimisation of wider locality assets.
2. Approves the business case recommendations for the provision of Agile workspace in the north-west and south-west of Surrey, to vacate Quadrant Court, Woking and

¹ Small, localised workspaces to enable service delivery.

the St Francis Centre office facilities in Guildford and release the sites to generate best returns for the Council, subject to ensuring service continuity and delivering best value. The full business case is commercially sensitive at this time and is set out in the Part 2 report.

3. Notes a proposal will be submitted to Cabinet in due course for the optimum approach to deliver corporate office space in the north-west and south-west of Surrey.

Reason for Recommendations:

Approving the recommendations in this report will build on the Agile Office Estate strategy and all associated benefits to:

- Continue to progress delivery of the Agile Office Estate programme through definition of the north-west and south-west elements.
- Optimise the existing corporate office estate, increasing colocation of services and further reducing the overall estate footprint, to deliver greater efficiencies.

Executive Summary:

Demand and Supply

1. Following the 2021 strategy approach, engagement across the Council's workforce has continued during 2022 through the Agile Organisation Programme. This work continues to be critical to support services refine their respective core requirements as corporate workspace utilisation develops post-Covid. Key findings from ongoing engagement during this year are:
 - a. Surrey County Council services require between 50% to 70% less office space than required pre-Covid and Agile Programme implementation.
 - b. Locality-based interdependencies with their agency partners (Health, Housing, Police), is critical to best serve residents.
2. The 2021 strategy set a target to reduce the office estate from 50,000sqm to 26,000sqm. The programme is already succeeding and will reduce old office space whilst increasing delivery and occupation of new Agile workspace at Woodhatch Place (Reigate), Dakota (Weybridge) offices to deliver a corporate footprint of under c25,000sqm by March 2023. However, based on new service demand data and intensification of use, further efficiencies could be achieved if the Council agrees that we look to further reduce Council utilised space in line with paragraph 1.a.
3. Whilst we appreciate this is a stretch target, it reflects an organisation where workforce strategies are continuing to reshape and adapt to new ways of working alongside the impacts of financial pressures on both the organisation and the population we serve. Our agile space design is already providing the flexibility to adapt as we relocate staff into new AOE workspaces at Woodhatch Place and Dakota. Critical to the success of further optimisation will be the ongoing support, management and embedding of agile ways of working across the organisation.
4. It should also be noted that the retained assets would continue to follow the 2021 Agile Office Estate strategy baseline, with surplus space in the retained office estate

being leased to support the corporate One Public Estate agenda (collocating partners) or commercial income generation, such as the model already in place at Dakota.

5. It is recommended that Cabinet agrees to further consolidation into existing corporate estate, maximising the use of Hubs and ensuring minimal spokes and optimisation of wider locality assets.

North-west (and south-west) Review and Recommendations

6. Cabinet requested further detailed analysis to review wider Council and partner property requirements in the north-west quadrant of Surrey and identify the best value option to meet increased scope of need.
7. With regards to the south-west quadrant, Ranger House (Guildford) is held as a Council investment asset for income generation. Vacant space identified for the Council's own use (in the original AOE strategy) has been reallocated (with Shareholder Investment Panel approval) to secure a major employer HQ relocation generating a greater financial benefit overall than if occupied by the Council.
8. Noting the above commercial action and given the close proximity, the scope was expanded to include the south-west quadrant which also has no identified or existing office hub.

Consultation:

9. In the development of the programme and supporting business case, views and inputs have been sought from a range of stakeholders including:
 - Industry expertise and contractors
 - Surrey County Council Executive Directors
 - Cabinet Members with portfolio responsibilities and local interests
 - Partner organisations (NHS CCG)
 - Targeted groups of Surrey County Council staff through the Agile Organisation Programme

Risk Management and Implications:

10. Risk management and implications are directly related to the business case which is commercially sensitive at this time. The identified risks and mitigating actions are set out in the Part 2 report.

Financial and Value for Money Implications

11. This report proposes moving services from existing leased and freehold properties in need of modernisation into two smaller modern, fit for purpose, new buildings. This will generate revenue savings and capital receipts, save on high future costs of maintaining current buildings, save on building running costs due to the reduced size and provide a facility which contributes to meeting the Council's net zero ambitions. It will also improve residents' experience and enhance the area and community.
12. The capital investment and financial modelling to deliver the new buildings is commercially sensitive and is set out in the Part 2 report. The Part 2 also shows that the cost of the proposal is less than refurbishing and running the existing buildings.

13. The Agile programme allocation has the borrowing costs factored into the corporate interest payable budget as part of the Medium Term Financial Strategy and therefore borrowing costs associated with this element of the capital investment can be contained within existing budgets.

Section 151 Officer Commentary:

14. Although significant progress has been made to improve the Council's financial position, the financial environment remains challenging. The UK is experiencing the highest levels of inflation for decades, putting significant pressure on the cost of delivering our services. Coupled with continued increasing demand and fixed Government funding this requires an increased focus on financial management to ensure we can continue to deliver services within available funding. In addition to these immediate challenges, the medium term financial outlook beyond 2022/23 remains uncertain. With no clarity on central government funding in the medium term, 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.
15. The recommendations should not impact current Medium Term Financial Strategy (MTFS) funding assumptions as the latest agile assumptions including the preferred option require the re-purposing of existing funding. The preferred option, which is commercially sensitive at this time and detailed in the Part 2 report, sets out that it is likely to be the most cost effective and this option, along with latest agile assumptions, is likely to deliver the MTFS efficiencies, from 2026/27. As such, the Section 151 Officer supports the recommendations.

Legal Implications – Monitoring Officer:

16. In December 2021, Cabinet approved funding and implementation of an AOE strategy to transform the office estate. This report sets out further recommendations to that strategy to accommodate the Council's office requirements in the north-west and south-west of Surrey.
17. The Council is empowered by legislation to pursue the recommendations set out in this report.
18. Section 123 of the Local Government Act 1972 (LGA 1972) enables the Council to vacate and release sites provided that the best consideration reasonably obtainable is achieved. The recommendations to vacate Quadrant Court, Woking and the St Francis Centre office facilities in Guildford (which the Council holds as freehold assets) would fall within the definition of a disposal under the LGA 1972. In pursuing any options to release the sites to generate best return for the Council, the Council should ensure that the price for any such proposals is "market value" to comply with Section 123 of the Act.
19. Under Section 120 of the LGA 123, local authorities may acquire land for delivery of its services and therefore any proposals to purchase either a freehold or leasehold interest in assets to accommodate the Council's requirements for smaller office facilities in Woking and Guildford will fall under these provisions. It is noted that

proposals to deliver corporate office space in these locations will be submitted to Cabinet in due course, at which point site specific legal advice can be provided.

20. In taking a decision, Cabinet should have regard to its fiduciary duties to residents in respect of utilising public monies and when considering this report, Cabinet Members will want to satisfy themselves that the recommendations set out in this report represents an appropriate use of the Council's resources.

Equalities and Diversity:

21. An Equality Impact Assessment has not been completed; 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:

22. 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 below.

Area assessed:	Direct Implications:
Corporate Parenting/Looked After Children	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 used by the service for improved privacy for consultations and meetings, be more practical for service use, and to ensure they meet current and future needs.
Safeguarding responsibilities for vulnerable children and adults	The office estate transformation will improve the consultation and working areas for employees and residence of vulnerable children or adults, for improved privacy for consultations and meetings and be more practical for service use. 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	Where refurbishment works or new acquisitions are undertaken, they will target BREEAM Excellent. Designs will be to a high sustainability standard in relation to the council's commitments on net zero emissions, waste minimisation, supporting biodiversity and 'urban greening,' resilience to future heat stress and flood risk and sustainable transport/ accessibility.

Area assessed:	Direct Implications:
Compliance against net-zero emissions target and future climate compatibility/resilience	<p>Carbon impact of the Option C recommendation – details the carbon impact in the business case. However, most notably there is the potential for a 71% reduction in energy for electricity and heating.</p> <p>For the Council to achieve its net-zero ambition by 2030 acquisition of new buildings needs to consider new sites to have high energy efficiency, low carbon heating (heat pumps) and generate on site renewable energy to provide electricity</p> <p>Details on carbon reduction principles, are included in the Commercial section of the business case</p>
Public Health	The Council's corporate office buildings will all be compliant and safe for both employees and the public.

What Happens Next:

23. Following Cabinet approval of the recommendations in this report and the preferred option (detailed in the Part 2 report), further work will be undertaken to determine the optimal approach for corporate office provision in the north-west and south-west quadrants of Surrey.
24. Timescales for completing proposed north-west and south-west property specific actions are defined are commercially sensitive at this time and are set out in the Part 2 report.
25. Engagement will take place with impacted services and stakeholders regarding the implications and timescales for change. This will include:
 - Further engagement with Trade Unions – initial engagement already completed to share proposals.
 - Discussion with impacted directorate and service leadership to respond to questions and concerns and to further collate criteria to influence future activity.
 - Direct engagement with staff through 'drop-in' sessions to answer questions and collate concerns as well as to provide an overview of activity with timescales.
 - Full consultation and team specific engagement to take place once longer-term locations are determined.
26. Further Cabinet report(s) will be submitted regarding the acquisition (or lease) and fit out investment for the north-west and south-west properties.

Report Author:

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Consulted:

Industry expertise and contractors

Surrey County Council Executive Directors

Cabinet Members with portfolio responsibilities and local interests

Partner organisations (NHS CCG)

Targeted groups of Surrey County Council staff through the Agile Organisation Programme

Annexes:

Part 2 report

Sources/background papers:

Cabinet report, December 2021, Item 242/21: [Agile Office Programme](#)

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