

Outline - Agile Office Estate Strategy **(Approved Annex to Jan 2021 Cabinet paper)**

Introduction

This paper sets out the initial and outline Agile Office Estate (AOE) Strategy for Surrey County Council. The purpose of the outline strategy is to gain agreement for the overall direction of travel in relation to our office estate. Further engagement with services and partners is required to test the hypotheses and proposals set out in the paper, which will lead to a finalisation of a complete AOE strategy in summer 2021.

The strategy sets ambitious targets across several different domains which will shape implementation and act as measures of its success.

Steps have already been taken towards addressing the challenges within the County Council's office estate, with the move out of County Hall and relocation of the Civic Heart back into the County of Surrey. The analysis in the strategy uses April 2020 as the baseline position, and therefore provides an overview and a context of the steps already taken towards realising the objectives set out herein.

Summary

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.

The Agile Office Estate Strategy proposes to address these issues by adopting a strategically led approach to transforming the county council's office estate. Using the move out of County Hall as the initial catalyst, we will work towards the establishment and maintenance of a corporate office estate that is better value, in better condition, supports our Greener Future ambitions, and is better located for its current purposes.

To provide adequate coverage for the whole county, a proposed model based on four main office hubs is planned, along with necessary numbers of satellite offices for touchdown or ultra local working requirements. To further develop and refine the strategy, engagement will be undertaken with services and partners to consider operational impacts as well as specific financial and property considerations. Engagement with key strategic public sector partners is intended to identify the possibility of the county council office estate providing adequate space for those organisations as well as our directly employed staff. This could aid collaboration across organisations as well as delivering shared benefits across the public sector in Surrey.

The strategy will deliver efficiencies in the medium term and on an ongoing basis but will require upfront capital investment to bring it about and may also lead to increased revenue costs in the short term before ongoing savings are realised.

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 the County
- Carbon emissions to fall from 2,600 tonnes per annum to net zero by 2030

Background and Context

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.

Since 1965, Surrey County Hall has been located outside of the County's boundaries, a unique and unwelcome position for a local government body. Beyond this though, the location of offices is imbalanced across the county. Efforts have been made over time to ensure that community-based teams are located close to the point of service delivery, and sometimes co-located with delivery partners. However, this piecemeal approach has resulted in a lack of generally accessible office space across large portions of the county.

Furthermore, it has also contributed to a scenario where the cost of the office estate is above the industry benchmark. In part this is because of a high proportion of leasehold property in the portfolio, which is generally more expensive than freehold equivalents. Counter-intuitively, despite this high cost, the condition and quality of the estate is poor. There is also a significant maintenance backlog, and this is growing over time. The importance of energy efficiency and buildings which contribute to the council's climate change agenda has also grown in recent years. The aged and poorly maintained estate is unsurprisingly under performing in this regard too.

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. 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. Such developments also make it easier to envisage effective co-location with public sector partners, with the possibility of the county council using its capacity and scale to provide a wider public service office estate, beyond its own direct needs.

Our Existing Estate

At the beginning of the 2020/21 financial year, the council's office estate consisted of the following eighteen buildings:

Site Name	Location	Tenure	Gross Internal Area (m2)
County Hall	Out of County	Freehold	24,795
Quadrant Court	Woking	Freehold	7,940
Consort House	Reigate and Banstead	Freehold	3,381
Fairmount House	Mole Valley	Leasehold	3,187
Merrow	Guildford	Freehold	2,056
Wray Park	Reigate and Banstead	Freehold	1,569
Epsom Local Office	Epsom and Ewell	Leasehold	913
Ashley park House	Elmbridge	Leasehold	900
Waverley Local Office	Waverley	Leasehold	789
Esher Local Office	Elmbridge	Leasehold	760
Guildford Local Office	Guildford	Leasehold	724
Reigate and Banstead Local Office	Reigate and Banstead	Leasehold	573
Woking Local Office	Woking	Leasehold	331

Surrey Heath Local Office	Surrey Heath	Leasehold	326
Mole Valley Local Office	Mole Valley	Leasehold	299
Oxted Local Office	Tandridge	Leasehold	241
Runnymede Local Office	Runnymede	Leasehold	179
Thameside Centre	Spelthorne	Freehold	47
		Total	49,011

Space

County Hall dominates in terms of space, with 51% of the overall office space relating to that building. Including County Hall, in terms of total space, 81% of the portfolio is Freehold and 19% Leasehold.

In addition, much of the estate has very traditional and now out-dated configurations which are poorly aligned with the sort of flexible space required to support the council's ambition to be an 'agile' organisation. Space per employee is quite generous, but it is based predominantly around fixed desks (making up 85% of office space for employees) with much lower levels of collaboration space.

Value for Money

In cost terms, the ratios are very different: 56% of the cost relates to Freehold, and 44% to Leasehold. The total budgeted annual running cost of the estate is estimated to be just over £7.5m. In addition, the backlog maintenance is current estimated at £39m. Addressing this backlog would result in an annual cost of the estate of around £9.5m per annum

In relation to leased space, 45% of current rentals are above the market benchmark for their area, without evidence of a corresponding high level of quality.

Environmental Sustainability

The County Council has set a target for the County to become carbon neutral by 2050, and for the office estate, which currently produces 2,600 tonnes of Carbon per year, to be carbon neutral by 2030. Significant and rapid progress is required to achieve the target reduction in the next decade.

A New Direction

In late 2018, the Leader of the Council made a commitment to return the County Council's "Civic Heart" to the county itself. This ambition sought to right an issue that has been present for over five decades, since Kingston was incorporated into Greater London as part of a redrawing of local government boundaries. 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. Plans are in train for County Hall to be vacated, with the office closing at the end of December 2020, sale plans progressing well, and an aim to entirely vacate the site by the end of March 2021.

Measures to establish the new Civic Heart were well developed by early 2020. A provisional arrangement had been made to acquire a site in Woking (Midas House), which would provide decant space for some staff from County Hall and which would host the in county Civic Heart functions. The acquisition was dependant on several related matters which were suddenly thrown into uncertainty by the advent of the Covid 19 pandemic in early 2020. Consequential third party moves on which the acquisition depended were no longer possible, and the proposed deal for Midas House therefore fell through.

Although this presented a material and immediate challenge regarding the planned timetable for moving out of County Hall, it also presented an opportunity to take a wider look at our estate. Not all staff from County Hall were envisaged to be allocated to Woking as a new

base, and numerous other challenges existed within the office portfolio that would have to take a back seat to the Civic Heart development. In Spring 2020, the County Council therefore had the opportunity to take a very different look at its entire office estate.

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
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

These imperatives will help us to deliver an office estate that supports our refreshed organisational strategy:



The Agile Office Estate – Modernisation Proposal

We want to use the decision to move out of County Hall and to relocate the Civic Heart to act as a catalyst for a transformation in our office estate. We believe that a model centred around four main office hubs, and a reduced number of satellite offices, which would aim to make better use of our operational estate, will help us to respond to the key drivers and to achieve our objectives in relation to the estate.

An office hub in each geographical quadrant of the county will act as a focal point and ensure that we have a presence closer to all residents. We need to review and rationalise our leasehold estate, exploring the ability to consolidate into the hubs, or to utilise space created by the complementary transformation of our operational estate. To facilitate stronger

partnership working, we want 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.

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 can help us generate efficiencies and to avoid a significant future cost by removing the maintenance backlog.

Our targets will be to:

Financial	Reduce annual running costs by £3m Eradicate the £39m maintenance backlog, and avoid that cost to the County Council
Location	Operate from an estate entirely within the County, and with the Civic Heart in Surrey itself.
Environmental	Hit the 2030 target for a net - carbon neutral office estate (this would include residual emission would be offset by natural or engineered sinks) 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.
One Public Estate	Develop inter-operability for partners within our estate Let space to partners on either VFM or service benefit grounds.

Implementing the Strategy

The information about the current office estate set out above uses April 2020 as a baseline position. During this financial year we have already made some decisions that take us closer towards realising the objectives.

Closing County Hall

Since changes to local government boundaries in 1965, Surrey County Hall has been outside of the County's boundaries. In December 2018 the Leader of the Council announced his intention for the council to move back into the county by the end of 2020. In late 2019, a meeting of the Council endorsed this plan.

Work to exit County Hall has progressed through 2020 despite the impact of the Covid 19 pandemic. It closed as an operational office on 31 December 2020. The disposal of the site for redevelopment sensitive to its listing status and historical importance is underway and expected to result in sale by the end of March 2021.

The close of County Hall makes an immediate impact on the targets being pursued via this strategy in the following areas:

Area of Impact	County Hall Contribution
Financial	A gross (before re-provision of space) reduction in cost of £2.1m Removal of significant backlog maintenance liability

Location	Removal of all out of county office space
Environmental	Gross reduction in Carbon Emissions of 804 tonnes per annum
Quality and suitability	Removes 24,795m ² of poor-quality office space largely unsuited to agile and collaborative working.

Removing County Hall from the council's office estate portfolio makes a significant contribution to the aims of this strategy. The removal such a significant proportion (51%) of overall office space obviously provoked a need for the identification of additional space within the County, as well as a suitable location for the Civic Heart.

As outlined above, the initial plan developed through 2019, and part of the decision at Council to approve the move from County Hall, centred on the acquisition of an office in Woking (Midas House).

County Hall Decant and the Four Hub Model

Review work on the wider estate was beginning in conjunction with the decision not to proceed with the acquisition of Midas House. Only Quadrant Court in Woking was identified as a suitable property within the existing portfolio for a potential future office hub.

Without County Hall, the total size of the office estate reduced to 24,116m², of which 62% was Freehold and 38% Leasehold. Whilst the disposal therefore addressed some elements of the strategy, it worsened other aspects, for example reducing the Freehold proportion of the portfolio. It could not of course address the lack of good quality space elsewhere in the portfolio.

The need to decant staff from County Hall also triggered the requirement for rapid progress on the establishment of space in the north of Surrey in order to provide a smoother transition for staff moving from within South West London. The review also identified a medium term space imperative in the east of Surrey, with a major leasehold property (Fairmount) due to expire in 2024, and an opportunity to develop another freehold property in the area (Consort House in Redhill).

Acquisition of Woodhatch Place

In early 2020/21, the Council was able to complete the purchase of the former Canon HQ in Woodhatch near Reigate. The site was identified as the ideal option for relocation of the Reigate Priory school, as well as providing the opportunity for further service development such as accommodation with care and support for older people.

The offices on site were initially identified as a potential solution to the medium term need for space in the east of the county, providing a solution to the lease expiry at Fairmount, and allowing the potential development of the Consort House site to be progressed. The subsequently renamed Woodhatch Place provided an excellent opportunity to develop an eastern office hub, representing the second in addition to Quadrant Court in the west. However, following the purchase of the site, and the decision to halt the purchase of Midas House, Woodhatch Place was also identified as the location for the new Civic Heart, and to provide decant space from County Hall, and from part of the Surrey Fire and Rescue Service HQ at Wray Park. The building was therefore refurbished to provide accommodation for these purposes in the first instance and is on track to open in January 2021.

Woodhatch Place will provide 10,178m² workspace fully aligned to the council's vision of agile working. It will act as an initial test bed for agile configuration, which will be used to inform the layout of the rest of the estate. It will also host the Civic Heart. As a Freehold building, it helps reduce our overall average space cost. A more modern building that won awards for its environmental sustainability, it will also help us cut emissions and work

towards a more environmentally friendly estate. Ownership means that we can continue to work to improve this over time as well.

The Acquisition of the Dakota Building

A significant search for office space was undertaken in the north of the county to meet the separate but potentially complementary objectives of identifying short term decant space for staff from County Hall, and to provide a northern office hub within Surrey.

The Dakota building in Brooklands near Weybridge was identified as an opportunity to meet both objectives. Immediate space of 2,109m² is available, rising to a potential 3,224m² if all tenanted space is released. It is a recently refurbished, modern office space with good environmental credentials.

The building will allow the decant of staff from County Hall, and provide additional space for touch down and collaboration, along with the necessary space to accommodate staff from rationalisation of the wider leasehold office estate.

Summary

The key actions of exiting and disposing of County Hall, and the acquisition and fit out of Woodhatch Place and Dakota as new agile working hubs will see the County Council entering 2021/22 with an office estate that is much closer to the ideal laid out in this strategy, and the platform on which to develop it further. The next step is to utilise this platform to realise the overall objectives set out within this strategy.

Progressing the Strategy

The establishment of three agile working office hubs in the County addresses the immediate need for space and provides headroom to be able to rationalise our wider office estate. Broadly speaking there are four main areas of opportunity:

East of County

As identified in the original business case for the acquisition of Woodhatch Place, there is a need to provide alternative office space for staff currently based at Fairmount House no later than when the lease expires in 2025. In addition, the freehold ownership at Consort House represents an opportunity to decant staff from that building and to develop the site. The combined space in these two buildings is 6,568m², and total annual running costs are £1.813m per annum. Current staff numbers are 790.

Wider Leasehold Estate

Amongst the eighteen office locations that the county council began 2020/21 with, ten are 'local offices' with space leased from Districts and Boroughs. These offices represent a total of 5,135m² office space, and an annual cost of just over £1.5m. Decisions were taken for operational reasons to base teams in these locations. However, the advent of more agile working, plus the potential space at new office hubs, mean that it is timely to review the need for this space, including its cost and the amount of space taken. Work to develop touch down and collaborative space as part of new community hub spaces in the operational estate may offer another alternative source of space.

Ashley Park House – Children's Social Care

In 2019 the County Council took leasehold space in Walton on Thames to provide accommodation for children's safeguarding teams supporting communities in the north of the county. The space was taken at above market rates, but the operational importance attached to the use was concluded to justify the premium being paid. That applied in financial terms, but equally in terms of an investment in the improvement of children's services.

The lease on the space runs until 2029, with an optional break in 2024. There were strong operational reasons for locating the teams at Ashley Park House, and from a service perspective it has made a very positive impact. If there is no change to the wider operational context then any decision to exercise the break at Ashley Park House would not appear to be prudent or attractive in 2024. If, however good alternative space exists that achieves the same aims, and the service can operationally be able to move, then the option should be reviewed. No decision can be taken on this at the current time and a full analysis would be required in two to three years' time. The cost of the space at Ashley Park House is £0.45m per annum.

Co-Location with Partners

Through the development of a modern, fit for purpose agile office estate, the county council will be well placed to explore opportunities to co-locate partner functions within our buildings. As partners including Surrey Heartlands NHS, Surrey Police, and District & Boroughs review their requirements for office space, there are likely to be a number of opportunities for the exploration of co-location arising. Sub-letting space to partners is likely to be able to deliver a financial return for the county council, but also to deliver efficiencies for the wider public purse in Surrey. In addition, and with potentially greater return, it could facilitate closer integration and closer working, or just more effective collaboration between different organisations.

The extent to which any of these different options can be progressed will inform the overall amount of space required within the office estate. Further dialogue with partners and analysis of space requirements, office design space and infrastructure implications, including IT standards and digital interoperability, needs to be done on each before we finalise the plan for the office hubs.

Next Steps

This document sets out the components of a new agile office estate for Surrey County Council. It is rooted in the evidence produced from analysis of our existing estate and of the opportunities for new ways of working that are present and further emerging. The strategy is described as outline at this stage, because it requires further and detailed analysis of a wider set of issues before the volume and location of space can be finalised.

There are set of key dependencies that need to be explored, as set out below:

Activity	Approach	Priority
Review District and Borough leased properties	Work to be led by the Agile Organisation Programme team to engage with staff and teams based in the ten local offices, to identify future working requirements and opportunities for consolidation.	1
Explore Opportunities for Partner Co-location	Engagement with partners led by Land and Property, supported by the development of IT infrastructure design and inter-operability standards led by IT and Digital.	1
Explore potential development of Consort House	Agile Organisation Programme team to engage with staff and teams at Consort House to identify future working requirements	2
Assimilate results of other workstreams to inform search for southern hub	Land and Property to work with Agile Organisation Team to identify demand and appropriate space requirements for fourth hub and to produce options for fulfilling	2
Review options for exiting Fairmount	Agile Organisation Programme team to engage with staff and teams at Fairmount in preparation for the end of the lease in 2025	3

Review of children’s social teams at Ashley Park House	Agile Organisation Programme to engage with staff and teams at Ashley Park House to inform the decision about whether to exercise the break clause in 2024	3
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Resourcing and Value for Money Implications

As set out above, the Agile Office Estate Strategy represents an opportunity to avoid significant capital expenditure to make good the maintenance backlog of £39m, and to generate savings of up to £3m in annual revenue costs relating to the estate.

There has already been progress towards the realisation of potential savings through the imminent disposal of County Hall, which will significantly reduce the backlog maintenance.

Whilst the strategy is being implemented, resources will need to be dedicated to its delivery, and costs may in the short-term increase as properties are brought on stream in advance of further properties being rationalised. It is proposed to provide resources from earmarked reserves to fund some of these up-front costs, with amounts drawn down reported to Cabinet via the regular corporate budget monitoring report.

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