

## AGENDA ITEM 5

<b>Report to Cabinet</b>	<b>Forward Plan reference number:</b> FP/431/03/16
<b>Date of meeting:</b> 17 May 2016	<b>County Divisions affected by the decision</b>  All Divisions
<b>Title of report : Extension to Property Transformation Phase 2</b>	
<b>Report by:</b> Councillor David Finch, Leader of the Council	
<b>Responsible Director:</b> Mark Hobson – Director for Corporate Operations	
<b>Enquiries to</b> Glenn Yates, Senior Project Manager email: Glenn.Yates@essex.gov.uk	

### 1. Purpose of report

- 1.1 The purpose of this report is to set out the proposed extension to the Property Transformation Phase 2 Programme (PT2) and to obtain approval for the associated revenue and capital funding requirements to deliver £2.2m of budgeted savings.

### 2. Recommendations

- 2.1 Approve the drawdown of £967,000 over an 18 month period from the Transformation Reserve for property improvements and project resources, of which £758,000 is required in 2016/17.
- 2.2 Approve the capital investment of £536,000 for property improvements in 2016/17. The Capital budget already includes this amount.
- 2.3 Note that further reports will be brought forward to the Cabinet Member on individual disposals following appropriate consultation where necessary.

### 3. Background and scale of the proposal

- 3.1 The PT2 Programme has already realised £52.8m of capital receipts and annual revenue savings of £5.2m, which is £7.8m more in capital receipts and £100,000 more in revenue savings than was identified in the Cabinet report that was approved in June 2013. In addition, PT2 has been successful in providing a key enabler for the implementation of mobile and flexible working across the Authority.

- 3.2 It is now proposed to extend the PT2 programme so that significant additional benefits can be realised whilst the proposed Essex 2021 programme is further developed. It is vital that our property strategy and work styles are aligned to our future business needs to help deliver our ambitions.
- 3.3 The vision of the PT2 programme is based on a strategy that makes the best multi-functional use of the whole property estate, which includes offices and front line properties, and aims to either sub-let, develop or dispose of surplus property assets, as most appropriate, on a case by case basis.
- 3.4 The objective of the PT2 programme is to design and deliver an affordable core estate that drives change and the delivery of services within a framework of efficient flexible work-styles and high productivity work-practices.
- 3.5 Please note that the main Education Estate, including primary and secondary schools and special schools are NOT in scope of the PT2 programme.
- 3.7 Work will be aligned to other transformational projects such as Digital Channels and Transforming Corporate Systems will ensure that realisation of benefits both financial and non-financial is considered holistically, and will help to expedite benefits realisation for all of these projects
- 3.8 Lessons have been learnt from Property Transformation Phases 1 and 2 and the following information is provided as a summary of key initiatives that will be applied to the extension of the PT2 programme:
- 3.8.1 Co-ordination across Transformational programmes and projects, as mentioned above;
- 3.8.2 Ownership of change – we will engage employees and encourage line managers to embed the changes in local work practices;
- 3.8.3 We will implement an ongoing and comprehensive communications strategy;
- 3.8.4 We will actively promote new/emerging technologies with benefits that support mobile & flexible working; and
- 3.8.5 Change Champions – we will leverage off localised change champions to help storm and form required protocols and principles, driving the change and encouraging local compliance.
- 3.9 The Extension to PT2 will consist of the following work streams, realising £873,000 of additional revenue benefits:
- 1) Sub-let of the East wing of 2<sup>nd</sup> floor at Goodman House in Harlow
    - New rental income generated; partial offset of running costs
    - East wing of 2<sup>nd</sup> floor already vacated
  - 2) Letting of New Bridge House, Chelmsford
    - New rental income generated; full offset of running costs
    - Building already vacated

- 3) Executing a lease break at Castle Point DC offices in 2016
    - Removal of rent and service share spend
    - Building already vacated
  - 4) Scope reduction and efficiency savings in the Mitie contract
  - 5) Looking to drive efficiencies within our office estate
- 3.10 Individual cost items that are £75,000 or above are as follows:
- 1) Capital spend on building works at Watergardens in Harlow to enable a lease termination & relocation of Youth service into the Town Centre.
  - 2) Capital spend on LED lighting for toilets at all office locations (pay back in 2 years).
  - 3) Capital spend in what was the Triangle Club in Chelmsford to create overspill storage space for ERO.
  - 4) One time new revenue costs for additional project resources.
  - 5) One time revenue costs for re-cabling Essex House (IT cabling) and WI-FI surveys.
  - 6) One time revenue costs for Mobile and Flexible Working systems, including incoming Hybrid mail, additional confidentiality PODS and white noise suppression.
- 3.11 In addition to the above we will continue to make the most efficient use of our office and non-operational portfolio, and explore the use of alternative accommodation for the delivery of services that can deliver a net benefit to customers.
- 3.12 Property projects are subject to change, based on market conditions, organisational requirements and viability – therefore during the period of the programme there are likely to be amendments to the Workstream – including opportunities that emerge. Any amendments to the work streams will be recorded through change control notices.

#### **4. Policy context**

##### **ECC Budget Book 2016/17**

- 4.1 The Council now faces an enormous financial challenge due to austerity driven reductions in public sector funding, compounded by the introduction of the National Living Wage and an increasing demand for its services (social care in particular). The Council must continue to manage every single penny in a responsible and frugal way, to ensure its resources are spent wisely and with ruthless priority given to front line delivery of services
- 4.2 Every year for the next four years the Government is cutting its grant to the Council and there are also very significant other pressures to manage. After all identified savings plans have been implemented, there remains a gap of **£172m** by 2018/19.
- 4.3 A substantial part of the Corporate Services Portfolio (**25%**) relates to Property costs of **£19m**, both operating costs and routine maintenance
- 4.4 The extension to PT2 will deliver £30m of capital receipts by the end of March 2018 and £2.2m revenue benefit by the end of March 2019. Approval of the

extension to PT2 will empower Essex Property and Facilities, as a corporate operations function, to support the Council in achieving its savings and efficiencies targets.

- 4.5 The **Education Estate** is a major element of the ECC property portfolio which is primarily occupied by operational schools, either as ECC Community Schools or by way of standard 125 year lease to Academy Trusts. The PT2 extension has only marginal impact on these sites, working to achieve shared use of school accommodation or sites for improved service provision and cost savings where appropriate. However, cognisant of the changing pupil demographics, the extension to PT2 may be an enabler to the future Education Estate where vacant land or premises are considered for potential education re-use as a first priority.

## 5. Financial Implications

- 5.1 The estimated cost of the PT2 extension over an 18 month period from April 2016 until September 2017 is £967,000 of revenue spend (new budget) and £536,000 of capital investment, which is already in the approved capital programme.

- 5.2 It is proposed that revenue investment will be made in following areas:-

- a) Redesign of employee workspace to further enable mobile & flexible working;
- b) Moves of business functions and employees to enable the cost of running the estate to be reduced and surplus properties to be vacated; and
- c) Staff resources required to implement the moves and to manage the programme, including ongoing cultural change around mobile & flexible working.

### 5.3 Revenue budget profile:

Revenue Investment	2016/17 £000	2017/18 £000	Total £000
Location specific	349	102	451
Service specific	15	35	50
Mobile and flexible working	125	0	125
County Wide	0	10	10
Excluding staffing costs	489	147	636
Staffing costs	269	62	331
<b>Total Revenue Investment</b>	<b>758</b>	<b>209</b>	<b>967</b>

- 5.4 It is proposed that capital investment will be made in following areas:-

- a) Building works required to intensify occupancy and make retained properties fit for re-defined purposes;
- b) Targeted and condition based works for properties being retained;
- c) Information technology Infrastructure changes to enable improved productivity of employees occupying properties being retained; and
- d) Preparation of properties for disposal

### Capital investment profile:

Capital Investment	2016/17 £000	2017/18 £000	Total £000
Location specific	313	0	313
Energy saving	123	0	123
County wide	100	0	100
<b>Total Capital Investment</b>	<b>536</b>	<b>0</b>	<b>536</b>

- 5.5 The extension to PT2 will deliver vacant and surplus freehold properties that will be considered for sub-letting, development or sale, as appropriate and on a case by case basis. However, it is anticipated that some of these properties will ultimately be added to the capital receipts programme (total programme target of £30m over two years to March 2018).
- 5.6 This report seeks approval to spend £536,000 on the extension of PT2 from the £6m that has already been added to the capital programme for property projects
- 5.7 Proposed annual revenue savings of £2.2m are planned by the end of March 2019. These are split:-
- £1.0m within Essex Property & Facilities from cost savings and income generation
  - £1.2m within Central Operating Costs from avoided borrowing costs

Both of these amounts are already included in the MTRS and do not represent new savings to bridge the current funding gap.

## 6. Legal Implications

- 6.1 **Restrictions on Disposals** Section 123 of the Local Government Act 1972 requires ECC to secure ‘the best consideration that can reasonably be obtained’ or seek formal consent for the disposal. The commercial value of the disposal is a central consideration in deciding what ‘best consideration’ is, taking into account relevant policies in place and any professional advice given.
- 6.2 **Procurement:** the procurement of goods services will be carried out in accordance with domestic and European Public Contracts legislation and in accordance with the Council’s procurement rules.

## 7. Staffing and other resource implications

- 7.1 Changes to the location of workplace or service delivery will need to recognise the needs of customers, employees and visitors.

- 7.2 All employees have a mobility clause within their contracts, which allows for a change to work base within a reasonable distance and with reasonable notice. Any changes to base as a result of changes outlined within the extension to PT2 would be permitted under this clause.
- 7.3 Compensation payments for excessive mileage could apply where a change in work place causes significant additional travel from that currently experienced.
- 7.4 The cost model for the PT2 extension includes funding for the change programme required to support changes in working practices. In addition, it includes the necessary resources required to assess and manage any Health and Safety requirements related to workplace changes.

## **8. Equality and Diversity implications**

- 8.1 The public sector equality duty (PSED) created by section 149 of the Equalities Act 2010 requires ECC to have due regard to the need to:
  - a. Eliminating unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;
  - b. Advancing equality of opportunity between people who share a protected characteristic and those who do not; (The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.)
  - c. Fostering good relations between people who share a protected characteristic and those who do not include tackling prejudice and promoting understanding).
- 8.2 The PSED is a relevant factor in making this decision but does not impose a duty to achieve the outcomes in s.149, it is only one factor that needs to be considered, and may be balanced against other relevant factors.
- 8.3 To mitigate adverse impacts protected under the Equalities Act 2010, individual equality impact assessments will be undertaken for each project within the PT2 Extension Programme. This has been the approach undertaken throughout the PT2 programme since its inception in 2013.
- 8.4 In addition, the extension to PT2 also includes proposed property disposals that may result in services being relocated. At this stage it has not been confirmed exactly where these services may be relocated to and therefore the attached EqlA only assess equality impacts at a high-level for the programme as a whole. As stated above individual EqlA's will be undertaken for individual projects as the programme progresses. However, no moves of customer-facing operational properties will exceed 5 miles, and where there are moves these are intended to result in a net benefit to customers, (e.g. a location which provides a 'one stop shop').
- 8.5 It should be noted for employees and some members of the public, even a small move geographically could have significant impact (e.g. increase or

decrease in travel time to work and essential services). Therefore, as details emerge of specific moves it will be necessary to take the PSED into account in relation to each decision; and carry out an EqlA in relation to the decision where it is likely to have a disproportionate impact on members of the community who have a protected characteristic.

## **9. Background papers**

Equality Impact Assessment PT2 Extension