

**Report of: Deputy Chief Executive/ Director of City Development**

**Report to: Executive Board**

**Date: 20<sup>th</sup> April 2016**

**Subject: Changing the Workplace – progress and business case refresh**

Are specific electoral wards affected? If relevant, name(s) of ward(s):	No
Are there implications for equality and diversity and cohesion and integration?	Yes
Is the decision eligible for call-In?	Yes
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	No

### Summary of main issues

1. Changing the Workplace (CTW) is one of the significant programmes of work that is helping the organisation to improve how we work to ultimately deliver better services for customers. As a consequence of staff working in new ways we can make significant savings by reducing the number of buildings that we need. CTW is part of the wider Best Council Plan - Efficient and Enterprising Organisation.
2. A CTW business case was approved in 2012 to support 3500 staff through new ways of working, develop a city centre customer hub and deliver £15M of estimated net savings mainly through release of assets.
3. £1.5M has been saved to date from the release of 6 properties, with further significant savings over the next 3 years as we release the remaining properties. We have also successfully reduced our anticipated delivery costs by circa £9M since 2012, through optimising use of our existing buildings as we refurbish Merrion House. Alongside this we are now joint owners of Merrion House which will undergo a major refurbishment starting in April 2016. Our initial investment into this venture has already seen an increase in value of 25% following a revaluation of the Merrion House investment on 31<sup>st</sup> December 2015, which valued the Council's share at £35 million. The current uplift in value reinforces the decision to enter into the co-ownership model.
4. The 2016 refresh of the phase 1 business case has shown that the cost of delivering Changing the Workplace in the city centre over the 25 year lifecycle is

projected to reduce. This is being achieved by improving how we work across the programme, ongoing challenge of costs of delivery and using existing buildings more effectively. This, together with future release of additional buildings, has resulted in an anticipated total net present value NPV saving for phase 1 of £27M based on 2016 figures, an increase of £12M compared to the £15M total saving estimated in 2012. These savings figures are taken against the original baseline used: that is if the council had continued without introducing Changing the Workplace principles and continuing with Merrion House under the old lease terms.

5. Within the refresh we are additionally bringing in essential areas of work under the CTW umbrella such as the Digital Information project. This is about moving the organisation from paper to digital information, and is vital if we are to improve ways of working and reduce costs. We are also funding the initial work to bring further business cases through to Executive Board to roll CTW out across localities, with the first anticipated in Summer 2016.
6. Importantly the work we have already done means that our leadership teams, as well as many of our key services, are now working better together delivering essential services in the right place and at the right time. The Chief Executive, Directors and Chief Officers have moved out of their individual offices and are working collaboratively with their teams. To date 2000 staff have been through CTW, with the remainder in phase 1 to go through in the next 18 months. The programme has been so successful that demand exceeds supply and the team are now supporting services to do their own Changing the Workplace projects. This is hugely beneficial as it brings with it much greater ownership within services and helps sustain the improvements being delivered.
7. The results from our CTW evaluation surveys are very positive overall with the majority of staff reporting; better communications with colleagues, better able to manage general changes taking place at work, better flexibility to manage their own/ their teams workload thus improving productivity, better balance of their work life with personal commitments helping to improve health and wellbeing, happier that their work environment better supports them to do the job they need to do. We are not complacent as this is about continuous improvement and there are pockets where things have not gone so well. Our cross council lead change champions and change agents are helping with this.
8. CTW is about having the right tools, workplaces and practical support to work effectively. Staff are closer to the customer when they need to be, working effectively within integrated teams and using collaborative physical workplaces alongside virtual technology solutions. This means they are much more productive and better able to provide quality services with less resource.
9. All this links together with our cross council people and culture agenda, where staff have the opportunity to develop and learn across a range of activities. Re-energising managers, laying out an expectation for all 2,500 managers to be 'Doing Our Best' linked to the values of the organisation. This focus on values led leadership, different ways of working and the city wide workforce also helps us to promote a positive vision of the future at a time when the council is seeing times get tougher. These challenges have become a catalyst for positive change in our

workforce, with staff appreciating flexible working and the empowerment that brings.

10. As a wider recognition of the positive outcomes that are being delivered through Changing the Workplace, this programme of work was shortlisted for the 2015/16 LGC Business Transformation awards.

### **Recommendations**

11. That Executive Board note the successful delivery to date, future plans for the remainder of phase 1 city centre and start of phase 2 localities.
12. That Executive Board note the 2016 refresh of the 2012 phase 1 business case indicates total net present value NPV savings of £27M, increasing by £12M from the original estimate of £15M.

## **1 Purpose of this report**

- 1.1** To advise Executive Board of the progress made across Changing the Workplace phase 1, update on plans to complete and start of phase 2.
- 1.2** To advise Executive Board of the updated savings estimate to be delivered for phase 1

## **2 Background information**

- 2.1** A business case was approved in 2012 to support 3500 staff through new ways of working, create an integrated city centre customer hub, with £15M of net savings identified mainly through release of assets. This has required investment in our technology and our people to create a more agile workforce. The proposal also included reducing our office buildings in the city centre from 17 to 4: developing a new Merrion House and investing in Civic Hall, St George's House and Enterprise House so they are fit for a modern flexible organisation in the 21<sup>st</sup> century.
- 2.2** As well as looking at best practice internally we have learnt from other organisations, linking with local authorities such as Herts, Cambridgeshire, Essex, Barnsley, Derby, Wakefield and York. Thanks to funding from the LGA, Derby CC came on board to work in partnership with us on this and across our linked better business management agenda. We have also provided support to partner organisations wanting to establish CTW practices in their own organisations eg Health and Police.
- 2.3** Progress has been reported to Executive Board on an annual basis in line with recommendations of the 2012 business case. This report focusses on the progress made, future plans and refresh of the 2012 business case.

## **3 Main issues**

- 3.1** Changing the Workplace is fundamentally about changing the way we work to improve outcomes for customers and the people of Leeds. Our key aim is to support an agile workforce so that they can work when and where they need to. This is about having access to the information they need to do their jobs wherever they are, and getting the support and tools to work as effectively as possible. It is also about creating more collaborative ways of working both virtually and across our workplaces.
- 3.2** We have taken a total of 2000 staff through new ways of working and released 6 buildings at a cost saving of £1.5M. We have also successfully reduced our anticipated delivery costs by circa £9M since 2012. This has mainly been through use of existing assets for displaced staff as we refurbish Merrion House, thus avoiding the need to take on an additional 3<sup>rd</sup> party leased building as was originally anticipated. This has involved the team in more complex planning and delivery but has achieved significant opportunity cost savings. It should be noted that the majority of other authorities that have undertaken similar agendas have taken on temporary 3<sup>rd</sup> party premises, with similar size organisations spending in excess of £10M.

- 3.3** The development of the city centre customer hub has been on-going since 2012. In that time a significant amount of change has occurred including; the full refurbishment of the current city centre one stop on the ground floor of 2 Great George Street, the move of Registrars from the Town Hall and shift of responsibility for Registrar enquiries to Customer Services, the development of the Volunteer Centre now located next to the Job Shop to link people who aren't work ready but can gain skills and experience by volunteering, the integration of the School Admissions process into the customer hub, the introduction of self-serve PCs to help people get on-line and transact with the Council, and free telephone help lines to linked services such as Step Change Debt Charity, DWP and CAB.
- 3.4** Further to the above, work continues to prepare the way for the opening of the new city centre customer hub in Merrion House in 2018. As part of this, work is on-going with Housing Options at 2 Great George Street to create an integrated service by 2018. Work also continues to finalise the plans for the new customer hub at Merrion, where a major change will see the facility and relevant services operate over 3 floors. Through creative design, change in working practices plus use of effective technology the customer hub will provide an effective one stop service in the city centre.
- 3.5** As part of Changing the Workplace senior management right through to front line services are now working more effectively. The Chief Executive, Directors and Chief Officers have released their individual offices and are based within shared collaborative space with key colleagues. This has improved communications overall and reduced the physical barriers to collaborative working. A balance of quiet working areas, breakout space and informal/ formal meeting space supports this. By having the right tools and support to do the job, mobile working then becomes the norm with officers working when and where they need to do their jobs. The consequence of this is that we are now more productive overall and need less space to support how we work. Since the start of CTW we have moved from workstation: staff ratios of 1:1 in 2010 to an average of 7:10 in 2016 which ultimately allows us to release whole buildings. We will improve this further in phase 2.
- 3.6** As part of the roll out of Changing the Workplace we have refreshed our benefits plan – see appendix 1. We evaluate how successful we have been through perception surveys 6 months after a project has been delivered: this is whilst the change is being embedded by the business. We also publish blogs from individuals that have been through CTW to see what this really means to everyday working life and improved outcomes – see appendix 2. The collated results from the project evaluations delivered to date show:-
- 66% of respondents report better communications with colleagues
  - 76% of respondents can better manage general changes taking place at work as a result of the support and tools they have received through CTW
  - 76% of respondents have better flexibility to manage their own workload resulting in productivity improvements

- 80% of respondents can better balance their work life with personal commitments helping to improve overall health and wellbeing
- 65% of respondents are happier that their work environment better supports their needs

- 3.7** We are linking closely with the organisational development agenda on all this. We are keen to promote opportunities that support more agile working such as; management by outcomes, managing a mobile workforce, supporting virtual meetings. There is however more we can do collectively to integrate and embed this culture change within our overall organisation development agenda.
- 3.8** We have also brought together a team of change champions who support the culture change, communication and engagement activity. The change champions are a key part of the delivery team, embedded within services undergoing the change and therefore understand the business, staff and inherent challenges. Working with their service managers, they critically ensure that improvements are sustained beyond the project lifecycle.
- 3.9** An equally important part of Changing the Workplace is the information and technology agenda. This is about having the right tools to do the job and the right support to work differently. Technology enables us to collaborate effectively wherever we are reducing the time and costs wasted in travelling. It is also about accessing information and applications on the move.
- 3.10** We are further developing how we do this as part of phase 2, reviewing our user profiles based on how and where people need to access digital information. We have also set up the CTW digital information project that will establish a clear framework to move from paper based information to digital information. This will bring together a number of related projects so that services are all working in the same way, and we have the right tools and ways of working to support this. This is a significant agenda given that many records are currently paper based and do not support agile ways of working, with the associated costs of management and storage of this information.
- 3.11** We also need to consider those staff that currently have no access to electronic information and are wholly reliant on paper based information to do their jobs. As we move into phase 2 the digital divide needs to be addressed, so that all staff ultimately have the access and tools they need to work in the most effective way. This is about linking agendas across organisational development, the digital divide and mobility to find simple and sustainable solutions.
- 3.12** During 2015/16 significant milestones were achieved on Merrion House. Following completion of the development agreement and agreement for lease in October 2013, the building was vacated and handed over to Town Centre Securities in May 2015 to undertake initial surveys. The base design for the building has also now been finalised and letters of intent have been issued to the preferred contractor, allowing them to undertake the enabling works including the erection of two tower cranes on site. The intention is to award the main construction contract for the works towards the end of April 2016, with practical completion of the building currently estimated by the end of December 2017, and services

starting to relocate back into the New Merrion House from Spring 2018. The council also acquired a 50% stake in the investment partnership which owns the Merrion House investment in May 2015. Since completing the development agreement in October 2013, the Council's share in the investment has increased in value by 25% from £28 million to £35 million, which re-enforces the Council's decision to enter into the co-ownership model.

- 3.13** The electricity market is presently undergoing huge changes, with implications for the way the organisation pays for power to reach its premises. As more of the UK's energy generation comes from renewable sources there is an increasing requirement for generation infrastructure that can be turned on quickly to meet demand. To meet this need, a large standby generator will be installed within the new Merrion House development. This will enable the organisation to generate income from the inducement payments from the National Grid, and from the sale of power. The generator will reduce the overall tariff paid by LCC for all its electricity and enable the organisation to avoid paying for electricity at its peak rate for Merrion House. The Changing the Workplace Programme more broadly will also deliver very significant energy and carbon reduction benefits by delivering the transition to a smaller, more efficient office estate.
- 3.14** Whilst Merrion House will accommodate the city centre customer hub, generator and be the main staff base, there are also three other CTW workplaces planned to be retained in the city centre. Decisions have been based on long lease commitments or strategic importance. The 3 buildings are; St George House, Civic Hall and Enterprise House. All CTW workplaces are being designed using the same principles so that space is standardised and shared to support an agile workforce. Whilst services will have a nominal base in line with the agreed blueprint – see appendix 3, the expectation is that staff will work wherever they need to. Multi service/ partner teams for example will work together in the workplace when it makes business sense.
- 3.15** It should be noted that we can accommodate all staff projected to be in the city centre in 2018 within 3 of the 4 buildings. Further discussion on the future use of Enterprise House is taking place and could allow further properties to be released beyond those already identified, or alternatively income to be generated. This would further increase the savings figures for phase 1 identified in this report.
- 3.16** Work is progressing on detailed design of our workplaces and how we will work better within them. A cross council chief officer group is helping to steer this. As part of the next stages of CTW, feasibility surveys have recently been undertaken on St George's House and Civic Hall. Enterprise House has already been refurbished to accommodate Adult SCS as part of the stage 1 projects. The feasibilities are providing up to date information, designs and cost estimates for the work required to support a modern workplace within the budget envelope available. The results coming through are helping us to plan the next CTW projects, and cost estimates have been used to refresh the business case for phase 1.
- 3.17** Legal Services have recently gone through new ways of working and are moving from St George's House to Civic Hall. The next two CTW projects will focus on colleagues in BSC and IT who will be based in St George's House. This will

enable the release of a further 2 leased properties in 2017. The remainder of staff in scope are going through CTW over the next 18 months in their current locations.

- 3.18** Due to the success of CTW, services are keen to have the benefits as early as possible. In order to meet demand the team are now working with a range of staff in services so they can deliver CTW themselves, with support from the main team where appropriate. This has worked well to date and meant we can speed up the delivery, plus the business takes greater ownership of the change. A good example of this is in Planning Services where a significant shift is taking place to move the team to more mobile and electronic ways of working led by officers in the service.
- 3.19** Alongside the demands of delivering phase 1, improving how we work across CTW plus supporting services to do it for themselves, the team are now planning phase 2 in the localities. The first business case is expected in summer 2016 with initial costs of feasibility covered under phase 1. This will focus on a further 1,000 plus staff going through CTW and additional release of property with associated cost savings.
- 3.20** Communications and engagement are key to the successful delivery of CTW. We have a well-developed approach that has been refined over the last 3 years, although current challenges around communications resource to support means we are finding alternative ways of working. We also share information through the How we Work Insite pages so all staff can see what is happening, not just those going through new ways of working currently. We encourage people to do blogs of their experience and have attached examples of these at appendix 2.

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

As part of the planning and delivery of the programme, plus preparation of this report, there has been extensive consultation and engagement with Members, Chief Officers, staff, unions. This is through a number of channels including; CTW targeted engagement sessions, Best Council Design Team, SLTs, CTW Programme Board, JCCs, Insite How we Work, Essentials, one to one briefings.

### **4.2 Equality and diversity / cohesion and integration**

CTW programme has undertaken equality impact assessments at programme and project levels. These are currently being updated as part of the inclusion and diversity agenda. Whilst there have been some individual issues arising with members of the disability network, these have been addressed as quickly as possible. Further work has been undertaken to ensure that every-one is clear on how the process of assessment needs to work going forward. Generally the feedback has been positive with CTW providing all staff with opportunities to work flexibly.

New enhanced inclusion and diversity guidance has been recently produced to provide a steer on workplace best practice for the council. Changing the Workplace



is currently reviewing how to apply the guidance and to implement where this is practically possible.

### **4.3 Council policies and best council plan**

The CTW programme supports the council ambition to be the best council in the UK through modernising working practices. CTW supports the Best Council Plan, Efficient and Enterprising Organisation. This is through; supporting good quality public services, delivering to deadlines and to budget, managing our assets efficiently, and ensuring internal processes are standardised and simplified. CTW also uses every opportunity to improve, evolve and innovate with council employees at the centre of this.

It links closely with other key programmes of work including Better Business Management and Accessible Services so we can simplify, standardise and share how we work to improve outcomes for customers.

The proposal will also underpin the regeneration of Leeds, complementing the public realm improvements such as the Arena development and the proposal being progressed by TCS to improve the wider Merrion Centre.

### **4.4 Resources and value for money**

In 2012 Executive Board approved the full delivery of Changing the Workplace in the city centre including additional investment in retained workspaces and required technology to support the introduction of more flexible ways of working. This included the refurbishment and extension of Merrion House via the partnership and share ownership option with Town Centre Securities. Our initial investment into this venture has already seen an increase in value of 25% following a revaluation of the Merrion House investment on 31<sup>st</sup> December 2015, which valued the Council's share at £35 million. The current uplift in value reinforces the decision to enter into the co-ownership model

The whole life cost of the approach has been refreshed for 2016 and shows a NPV saving of £27M over the 25 year period. This compares very favourably with the NPV saving estimate in 2012 of £15M. These savings figures are taken against the original baseline used: that is if the council had continued without introducing Changing the Workplace principles and continuing with Merrion House under the old lease terms.

This improved financial position has been achieved through a combination of factors. The optimisation of our existing buildings thereby avoiding the use of third party leases. A generator has been incorporated into Merrion House which will sell energy to the national grid. Further buildings will be released in addition to those included in the original proposal to achieve further savings, and advances in technology have reduced the ongoing cost of ICT provision. This total savings figure could potentially be increased further subject to decisions on future use of Enterprise House.

#### **4.5 Legal Implications, access to information and call In**

There is no specific decision requested from Executive Board as key approvals were given in 2012. Within this separate project approvals are under agreed delegations of authority. All legal requirements are being fulfilled as part of this programme.

#### **4.6 Risk management**

Risk registers are available at both programme and project level. These are regularly updated and considered through the agreed governance of the programme.

### **5 Conclusions**

- 5.1** The CTW programme has successfully delivered the first stage of phase 1 in the city centre. 2000 staff have gone through new ways of working and reported improvements in; productivity, health & wellbeing and communications. Six properties have been released to date at a saving of £1.5M. A further £9M opportunity cost has been saved across capital and revenue through use of existing assets whilst the Merrion House refurbishment takes place. The refreshed business case now shows an anticipated total £27M saving from phase 1 of the programme, increasing from an estimated £15M in 2012. These savings figures are taken against the original baseline used: that is if the council had continued without introducing Changing the Workplace principles and continuing with Merrion House under the old lease terms.
- 5.2** The programme continues to build good practice and establish new work to take the organisation into the digital age. This agenda requires a significant culture change so the links to organisational development are key. We are also now working up the next business cases for phase 2 in the localities and anticipate that the first of these will come through to exec Board in summer 2016.

### **6 Recommendations**

- 6.1** Executive Board note the successful delivery to date, future plans for the remainder of phase 1 city centre and start of phase 2 localities.
- 6.2** That Executive Board note the 2016 refresh of the 2012 phase 1 business case now indicates total NPV savings of £27M , increasing from the original estimate of £15M.

### **7 Background documents<sup>1</sup>**

None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.