



Not for Publication: Appendix 2 of this report is Exempt/Confidential under Access to Information Procedure Rules 10.4 (3)

Report of the Director of Resources/ Deputy Chief Executive

To: Executive Board

Date: 25th Aug 2010

Subject: Transforming Leeds – Phase 1 Changing the Workplace

Electoral Wards Affected:

All

Specific Implications For:

- Equality and Diversity
- Community Cohesion
- Narrowing the Gap

Eligible for Call In

Not Eligible for Call In
(Details contained in the report)

EXECUTIVE SUMMARY

Members are fully aware of the significant pressures on public sector organisations to optimise resources, deliver significant efficiencies and maintain excellent services to customers. To this end Executive Board have received and agreed business cases over the last 2 years to transform the organisation to meet this challenge including the outline business case for Phase 1 of Changing the workplace in February 2010.

The Council's Business Transformation agenda consists of three strategic change programmes: Changing the Workplace, Customer Focus and Business Management; supported by an enabling programme of technology improvements which will underpin their delivery. Through this programme of change the Council will deliver significant efficiencies and improved service delivery in the short, medium and long term.

This report sets out the current position on the Changing the Workplace programme and focuses on the fitness for purpose of the Council's city centre office portfolio. The report builds on the February report with specific reference for the need to rationalise and modernise this portfolio as an essential platform to enable broader efficiencies to be delivered. Approvals are sought to move forward on the preferred delivery option with specific approval sought to enter into detailed negotiations and related work on a preferred city centre accommodation proposal. The report also highlights the early wins identified through this programme of work.

1.0 Purpose Of This Report

- 1.1 The purpose of this report is to update Members on the current position on the Changing the Workplace Programme and in particular to consider proposals to rationalise and modernise the Council's city centre office portfolio to support delivery of further long-term efficiencies. The report seeks approval to move forward with negotiations and related work on the preferred accommodation option in the city centre. The report also highlights areas where the programme can deliver short term benefits within the context of the wider business transformation programme.

2.0 Background Information

- 2.1 The Government has recently stated its intention of significantly reducing budgets to public sector organisations, with the details for local authorities to be confirmed in the October spending review. There is expected to be a reduction in grant finding to local authorities of at least 25%.
- 2.2 This significantly increases the pressure on local authorities to realise efficiencies in how they operate whilst maintaining service delivery levels. It is an unprecedented challenge that the Government has set local authorities and Leeds City Council needs to explore options to deliver efficiencies in its operational costs that helps to protect front line services and modernises the organisation.
- 2.3 As part of the agreed wider transformation agenda to deliver the required change, an outline business case for Changing the Workplace Phase 1 was approved at Executive Board in February 2010. As part of this outline business case options were considered for rationalising the Council's office portfolio into fewer, more modern, premises. The proposed consolidation and investment in city-centre properties would provide a platform to deliver significant business change and thus long-term savings for the Council. This would include a movement away from the traditional fixed office based working that currently exists across most of the Council and introduce more modern and flexible working practices that supports improvements in service delivery and makes optimal use of office accommodation. Accordingly, Executive Board agreed that a further report would be brought back with a preferred delivery option and supporting business case.

3.0 Main Issues – Overarching Business Transformation agenda

- 3.1 The Business Transformation agenda is made up of three strategic change programmes supported by an enabling programme of technology improvements and business change. A diagrammatic representation is provided at Appendix 1
- 3.2 the three strategic programmes are:
- **Changing the Workplace**
 - **Customer Focus:**
 - **Business Management**
- 3.3 Significant work has been undertaken over the previous 2 years to develop an overarching business case for business transformation that will support:
- Procurement of the enabling infrastructure
 - Delivery of the Delivering Efficient Corporate and Transactional Services (DECATS) diagnostic; and
 - Delivery of Changing the Workplace

- 3.4 Work in these three areas has now enabled the business transformation programme to be defined, providing high level costs and benefits for the whole programme.
- 3.5 There is heavy investment in business, process, people and technology change in order to drive out the projected benefits however whilst these costs are undoubtedly significant, benefits realisation would only need to be 30% of those currently projected to ensure that the expected costs were fully covered.
- 3.6 Overall, the projection for the business transformation agenda (through the three strategic change programmes and the enabling infrastructure programme), has the potential to deliver real and significant cashable savings to the authority.

4.0 Main Issues – Approval to proceed with Phase 1 of Changing the Workplace with particular focus on the property related issues arising

- 4.1 Following the Executive Board in February 2010, officers have looked in detail at the options for rationalising and modernising the Council’s city-centre office portfolio so that it can provide a sound platform for the delivery of longer-term efficiencies through the Changing the Workplace agenda.
- 4.2 In summary, the Council’s original office portfolio in scope consisted of the following premises held on a mixture of freehold and leasehold basis.

Building	Tenure
Belgrave House	LH
Thoresby House and Leonardo	FH
St George House	LH
Canon House	LH
Apex House	FH
Leeming House	LH
*Phoenix House	LH
*Gallery House	LH
Enterprise House	LH
2 Great George Street	FH
Civic Hall	FH
Adams court	FH
Westgate Gflr, 5th and 6th Flr	LH
Merrion House	LH

* these have already been released

- 4.3 Based on the information provided above a number of issues are evident:
- The Council’s city centre office portfolio is split 5:9 in terms of freehold and leasehold accommodation respectively
 - The Civic Hall is the Council’s long-standing civic centre with no proposals to change this position.

- The Council's city centre offices present quite disparate and relatively dated accommodation which is challenging to modernise in a practical and meaningful way.
- There are opportunities to release some freehold properties such as Leonardo and Thoresby, together with some shorter term leases over the next few years.
- The future of the Council's occupation of Merrion House, as our largest city-centre office, is fundamental to determining the detail of any programme of rationalisation.

4.4 In recognition of the points detailed above, officers have considered the options for rationalising our city centre office portfolio and these considerations are outlined in detail in the Confidential Appendix 2 attached to this report.

4.5 The outcome of the above, together with the wider Changing the Workplace considerations, has resulted in a number of areas being identified where early benefits can be delivered through Changing the Workplace: these include release of leased buildings, development of an interim single point customer access facility and delivery of more efficient support functions including mail room, receptions, directorate and administrative support, which will all deliver financial efficiencies. Further details are outlined in the exempt Appendix 2

4.6 The Appendix 2 is deemed Not for Publication under Rule 10.4.3 of the Access to Information Procedure Rules. The public interest in maintaining the exemption in relation to this document outweighs the public interest in disclosing the information by reason of the fact that it contains information and financial details which, if disclosed, would adversely affect the business of the Council and may also adversely affect the business affairs of the other parties concerned.

5.0 Conclusion

5.1 The recommended way forward for Phase 1 of Changing the Workplace, as detailed in the exempt Appendix 2, shows that a consolidation in our city-centre offices will support the transformational change and efficiencies to be delivered through the wider Changing the Workplace programme. The identified efficiencies to be delivered will support appropriate investment in people, process, technology and workplace and also deliver significant financial and non financial benefits to the Council.

5.2 The approach outlined has the potential to deliver an estimated net present value cashable saving in the order of £46M over 25 years. This sum is based on detailed work undertaken on the current business case model for the preferred phase 1 solution. It is however evident that with further work there is a real prospect of even greater, long-term savings being achieved through this programme of activity. Phase 1 delivery will also deliver wider non financial benefits to underpin transformation of services across the Council.

5.3 It is acknowledged that there is currently an early years affordability gap in the model, however this gap could be reduced with further work as discussed in the confidential appendix. It should also be noted that there is an affordability gap if the Council continues with a no change option due to the significant costs to bring the current property portfolio up to an acceptable condition. This option would be a higher cost

to the Council over the medium to long term and would not deliver the platform for transformational change described above.

- 5.4 The early year affordability gap for delivery of Changing the Workplace could be supported by anticipated delivery of early savings through the wider business transformation agenda as detailed in paragraph 3 above.

6.0 Council Policy and Governance

- 6.1 The proposals are in line with the Council Business Plan and will support delivery of the three stated outcomes. The agenda underpins the stated organisational vision for the future by embracing new ways of working, making best use of technology, innovating and collaborating, and continuously improving to deliver real customer benefits.
- 6.2 An Equality Impact Assessment for Changing the Workplace took place in July 2010. The assessment team was drawn from across Business Transformation, HR, ICT, Facilities Management, the pilot projects and the Equality Team and has taken account of the positive impacts as well as the potential adverse impacts for individuals and the business. The experience of colleagues involved in the pilot projects and the views from staff networks have informed the overall EIA. Equality considerations arising from the EIA will inform where appropriate the on-going work of the CTW work streams.

7.0 Recommendations

- 7.1 Executive Board is asked to:-

- (i) Note the overarching business transformation context outlined in the report
- (ii) Approve the recommendations for progressing phase 1 of the Changing the Workplace programme as detailed in paragraph 7 of exempt Appendix 2
 - 1. Negotiate terms and undertake related work required to secure the proposed accommodation solution as detailed
 - 2. Agree the level of fees at risk proposed for external legal, space planning and building advice prior to formal approval of heads of terms for the accommodation solution up to gateway 1
 - 3. To progress required notices in line with procurement advice
 - 4. Agree to the initial investment up to gateway 1 required to support delivery of the workplaces, technology, programme resource and training for phase 1.
 - 5. Agree that a further report is brought back to this Board with finalised heads of terms for the proposed workplace solution

Background Papers

Exec. Board Feb 2010: Changing the workplace report and business case

Exec. Board Dec 2008: Business Transformation in Leeds City Council

Exec. Board January 2009: Business Transformation in Leeds City Council report 2