

**REPORT OF THE
ENVIRONMENTAL SCRUTINY
COMMITTEE**

**BEST VALUE REVIEW
OF PROPERTY
PHASE 1
OFFICE SUPPORT ACCOMMODATION**

REPORT TO CABINET - 12TH SEPTEMBER 2000

REPORT TO COUNCIL - 20TH SEPTEMBER 2000

BEST VALUE REVIEW OF PROPERTY
PHASE I : OFFICE SUPPORT ACCOMMODATION
FINAL REPORT

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SUMMARY AND RECOMMENDATIONS

The importance of effective strategic property management is being emphasised by Government, through the Best Value agenda and the requirement to produce Asset Management Plans and capital strategy and the Audit Commission whose report 'Hot Property - Getting the best from local authority assets' clearly sets out expectations for change.

Responding to the Best Value Agenda, the Council resolved that a fundamental best value review of property should be undertaken. The first phase of this review, is a review of office accommodation and strategic property management and the findings are reported in this Phase 1 Office Support Accommodation report.

The report has been produced by a working group, with representatives from Corporate Services, Chief Executives, Education and Leisure, Housing, Community and Social Services, Development Services and external consultants DTZ Pida.

The Report Format

The main elements of the Phase 1 report are:-

- i) An examination of current portfolio performance and an assessment of space needs expressed through the 4C's of compare, consult, compete and challenge.
- ii) An assessment of current and recommended good practice for strategic property management;
- iii) The identification and assessment of the accommodation and strategic management options.
- iv) The identification of the amount of office space required and the preferred option for providing the office space needed and strategic management arrangements arising out of discussion with the Panel.

Recommendations

Recommendation 1

This authority does not currently have arrangements in place for the effective strategic management of property. Following consideration by the Panel and Environmental Scrutiny Committee it is recommended that a Strategic Property Management Unit be formed and

located within the Development Services Directorate. (See paragraph 7.4 of report for more detail).

Recommendation 2

The average space utilisation in this authority's 50 office buildings is currently 21m² per person. Following consideration by the Panel and Environmental Scrutiny Committee it is recommended that the authority sets

- a) a maximum target within existing buildings of an average of 11m² per person (net internal area); and
- b) a target in new buildings or refurbished existing buildings of an average of 8m² per person (net internal area)

to be achieved over a period of 3 years.

This should be pursued broadly in line with option 2 in the report, whereby the authority consolidates its administrative activities onto three or four main sites, supported by a small (to be determined) number of shared satellite offices, and adopting flexible working practices where appropriate.

SECTION 1 : INTRODUCTION AND CONTEXT

Background and scope

- 1.1 In September 1998 Policy (Development, Performance and Strategic Review) Sub-Committee resolved that a property fundamental best value review should be undertaken as one of the pilot corporate strategic reviews.
- 1.2 It is worth noting at this stage that the terms of reference for the entire property review specifically excludes schools and houses, but includes education and leisure and housing directorates' administrative and support property.
- 1.3 In response to that resolution, in January 1999 a report to committee advised:
 - The Committee of the proposed terms of reference for the Group
 - That a Property Fundamental Best Value Review Group had been established
 - That a phased review be undertaken which proposed the Council's office support accommodation as a first phase with future phases to include:
 - a) direct service property (e.g. libraries leisure centres)
 - b) the commercial property portfolio (e.g. shops, factory units)

- 1.4 The objectives of the best value review of property set at the outset in January 1999 were:
- To align property more closely to the needs of users
 - To obtain performance information on property
 - To identify where efficiency savings may be made
 - To produce options for improving property management arrangements
- 1.5 Office support accommodation was chosen as a first phase because:
- It is a cross cutting issue i.e. this type of accommodation is common to all Directorates
 - The performance of this type of property can be effectively measured
 - Properties in this phase are affected by other initiatives, eg, call handling, consequently the recommendations of this review can contribute to the work on these other initiatives.
 - This phase which is less complex than future phases will establish a methodology for future phases.
 - It was considered that there was scope to improve property performance via the review process.
- 1.6 The property management arrangements reviewed under this first phase review were those relating to strategic property management. A best value review of property services ie the activities to run, maintain and manage property on a day to day basis and acquire and dispose of land and buildings when required, is being undertaken in a later phase of the property best value review.
- 1.7 Office accommodation totals 48,500 sq.m net internal area. It is spread over 50 buildings and approximately 2500 staff use this accommodation. See Appendix 3 to this report for a list of properties included in this review. Responsibility for the management of these properties is splits between directorates. See paragraph 3.5.10. To date, office accommodation has not featured explicitly in the strategic plan or directorates service plans, though clearly office accommodation is required to support those plans.
- 1.8 Work undertaken as part of this review has identified nine aims for office accommodation together with ten specific measurable objectives linked to those aims. Performance indicators have been identified to measure progress towards meeting the objectives. These aims, objectives and performance indicators are shown in Appendices 2 and 4.

The Wider Context

1.9 A number of external and internal influences impact on property and the property service. These are listed below. Appendix 5 of this report provides further information in respect of these:

- Government perceptions - Government believes that local authorities are not using their assets efficiently and that the importance of strategic management is not sufficiently recognised.
- Revenue Issues - The City needs to reduce the amount of money spent on property.
- Capital Strategy - Property sales are required to contribute to the capital strategy
- Maintenance Cost pressure - Increasing pressure from new Regulations and decreasing budgets
- Single Capital Pot - Part of the payment will be dependent on good property performance
- Changing user needs - Building will need to be adaptable to changing needs
- One Stop Shop / call centres / E-merge - Implications / requirements to be understood
- Community Satellite offices - Current duplication of facilities through Directorates occupying their own properties
- Operational Inefficiencies - Communication difficulties and time and costs of inter site travel

1.10 It should also be noted that District Audit are currently carrying out a study of Asset Management nationally on behalf of the Audit Commission.

Salford has been chosen as one of a number of Authorities in the region to take part in the study. The study will examine ways in which Authorities use and manage property and ask whether this represents value for money or "best value."

The Audit Commission considers that property is central to the achievement of best value and that as a result of the study performance indicators will be produced which can be used by Local Authorities in their best value performance plan to assess their asset management performance.

SECTION 2 - THE REVIEW PROCESS

Approach Adopted

- 2.1 Following the report to Policy (Development, Performance and Strategic Review) Sub-committee the Review Group was established with representatives from Corporate Services, Chief Executive, Education and Leisure, Housing, Community and Social Services, Development Services Directorates and external consultants DTZ Peda. (See appendix 6 - for names of individuals involved).
- 2.2 The Review Group established a programme of work which identified all the key elements of work required, the time frame for undertaking that work and responsibility for completion of

the elements. This programme was reported to Committee in March 1999.

- 2.3 The Review Group met on a regular basis to review the programme of work, develop the programme as lessons were being learnt, and review progress. The programme of work is included at Appendix 1 for information.
- 2.4 It should be noted that this review pre-dates the development of Salford's best value review arrangements (service profiling, phase I and phase 2 reviews, 4C's questions, European foundation for quality management analysis) and consequently does not entirely mirror the current process. However, as can be seen from the work programme, there has been extensive data gathering, and this information has then been analysed to establish the options.

SECTION 3 - THE REVIEW

3.1 Best Value Context

- 3.1.1 In carrying out this review the 4C's of best value (consult, compare, challenge and compete) have been applied within the programme of work which has been undertaken. Although not chronological, the review has been set out under the 4C's headings, with an identification of the main issues at the end of each section. This is then evaluated as a whole in section 4.

3.2 Consultation

- 3.2.1 Property is considered to be a support service. The occupiers and users of the property service are therefore the directorates of the Council. Consultation with these users has been undertaken via questionnaire, group working, and one to one interview.
- 3.2.2 A questionnaire was issued to directorates in order to establish their perceptions in terms of office accommodation suitability, sufficiency, cost effectiveness, and future projections regarding space requirements. A summary of the responses is included at appendix 14, extracts of which are included below.
- 3.2.3 In terms of condition the survey showed that 75% of directorates think that condition is acceptable overall.
- 3.2.4 The majority of directorates consider suitability and functional environment to be at least acceptable.
- 3.2.5 A separate assessment of the condition and suitability of each site indicates that the percentage of the portfolio that falls into each category of condition is:

Good 11%	Satisfactory 40%	Fair 49%	Hazardous 0%
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See appendix 7 for the assessment of condition.

- 3.2.6 It should be noted that significant expenditure will be needed over the next three years to prevent those properties assessed as fair from dropping into the hazardous category.
- 3.2.7 The assessment indicates that accessibility to many of our buildings is poor for cars (in terms of parking) but reasonable in terms of public transport. 25% of our buildings are poor in terms of disabled access.
- 3.2.8 Whilst there is a strong imperative to reduce space in order to realise capital receipts and produce revenue savings, Directorate perceptions as shown in survey results are that their occupation of property is already cost effective. Further more, many Directorates believe that their space requirements are likely to increase in the future and this infers an overall increase in property costs. However, it must be said that comparative data does not support this user perception.
- 3.2.9 In addition to the survey, group working and one to one interviews have ascertained that the view of those directorates which currently utilise satellite accommodation is that future needs will continue to require a mix of central and satellite type accommodation. These needs are explored later in this report.

3.2.10 Main issues identified from Consultation

- **25% of directorates perceive that the condition of buildings is unacceptable.**
- **49% of our buildings will fall into a hazardous state in the next 3 years without significant expenditure.**
- **directorates perceive future increases in space needs, which does not concur with other findings of this review.**
- **both central and satellite accommodation will continue to be required for future service delivery.**

3.3 Compare

- 3.3.1 The existing office portfolio comprises 50 properties (see paragraph 1.7), many of which were inherited from the district councils following the 1974 local government reorganisation. The key characteristics of the portfolio can be found at Appendix 8.
- 3.3.2 The cost and space utilisation of the councils properties have been compared with one another (internal comparison), indicating which properties are performing best and poorest.
- 3.3.3 The opportunity to compare performance with other organisations through benchmarking groups is currently limited. However, Salford Council joined a local government forum being run by Sheffield Hallam University in 1998 (external comparison). The aim of the forum was to establish a group that would share information on a range of issues connected with facilities management. Sheffield Hallam University facilitates the forum and researches

issues considered important by the group. At the first meeting of the group 'Best Value' and the consequent need for basic benchmarking data was foremost in delegates minds. This data did not exist at that time but the group is now producing benchmarking data which includes:

- Costs per square metre
- Costs per workstation
- Costs per employee
- Facilities Management costs per Net Internal Area
- Use of space for various functions eg democratic space, reception
- Space comparison by Directorates
- Staff number comparison by Directorates
- Space occupied by staff in individual directorates
- Property occupation costs as a percentage of total costs
- Costs of individual functions eg mail room, telephones, portering

The group is also hoping to create a link with the private sector in order that benchmarking against the private sector data can also take place.

In addition to benchmarking data, subjects also being researched, include:

- Creating Flexible Space
- Planning Dynamic work Environments
- Service Level Agreements
- Changing Office Usage in Local Authorities
- Impact of Integrated Facilities / Property Management on Perceived Best Value
- Who will work in offices in five years time?

The forum currently has 15 members; grouped as follows

County Councils	6
District Councils	2
City Councils	3
London Borough	1
Metropolitan Councils	<u>3</u>
	<u>15</u>

Charts comparing Salfords data with other authorities in the group and included in appendix 13.

- 3.3.4 Performance indicators linked to objectives have been developed, and are included as Appendix 2 to this report. These P.I's can be used to compare the performance of buildings within the portfolio and should enable further external comparison.
- 3.3.5 There are currently no national standards with which to compare. However, DETR are developing and have issued some performance measures which, subject to general adoption can be used by Authorities.

3.3.6 Performance has been assessed using the best data available. However, there are limitations as to its accuracy particularly with regard to costs. This is an issue which will need to be addressed.

3.3.7 **Running costs** have been compared both within the portfolio and with the benchmarking group, with the following **main findings**:

- The average annual cost of running the main Civic Centre portfolio per occupier, excluding an asset rental charge, is £1,943. Comparable benchmark sources range from £1,370 to £2,687.
- The average annual running cost per sq m for the main Civic Centre portfolio is £177 sq m, comparable benchmark sources range from £107 sq m to £243 sq.m. The lower quartile from the benchmarking group ranges from £107 to £149 sq m.
- The running costs of Salfords properties range widely from £23 sq m (Irlam Rent Office) to £429 sq.m for 20/22 Queensway which is a Social Services area office. Running costs at the Civic Centre are £177 sq.m.
- There are concerns over the validity of some data. Our current financial information systems do not readily provide cost information on a property by property basis. Consequently some of the property running costs ascertained are less reliable than others.

3.3.8 **Space utilisation** has been compared both within the portfolio and with the benchmarking group, with the following **main findings**:

- There is significant room to improve space utilisation
- The average for the Council's portfolio is 21 sq m / person. The average for the benchmark group is 20 sq m. The best performing authority has an average of 15 sq m across its portfolio.
- The Civic Centre is much better at an average of 11 sq m / person. However the benchmarking group figure for civic HQ buildings is 9 sq m / person.
- The best comparable performance for civic HQ buildings is 7.64 sq m / person and best practice authorities are setting a target of 6 sq m / workstation (e.g. Newham, Leicester)
- Salford is achieving 6 sq m / person in specific parts of buildings e.g., parts of IT services, excluding any allowances for meeting rooms.
- Whilst the average for principal office buildings, Civic Centre (inc Crompton House), Turnpike and Chapel Street is 14 sq m / person there is a range from 11 sq m / person for the civic centre to 29 sq m / person for Chapel Street.

3.3.9 There is no vacant space at the current time in the portfolio - however there is under-utilised space as demonstrated by the comparative data.

3.3.10 Main Issues arising from Comparison

- **Whilst the council's portfolio performs only slightly worse than the average for the benchmarking group, considerable scope exists for improving space efficiency as indicated by the performance of the best.**
- **Cost efficiency varies considerably from building to building and is outside the performance of the top quartile in the benchmarking group. Therefore there is room to improve.**
- **Overall performance is adversely affected by particularly poorly performing buildings. Overall performance can be improved significantly through vacation and disposal of these buildings.**
- **There is scope for cost savings to be made, by improving space utilisation and disposing of (or if economically advantageous renting / leasing out) the poorest performing properties.**
- **Condition / suitability can be improved**
- **Improving performance through improving space utilisation and reducing the quantity of space and its running costs will contribute to the council's sustainability objectives.**
- **There are limitations on the accuracy of existing data. The ability to collect reliable data on a property specific basis needs to be improved.**

3.4 Competition

3.4.1 The major part of this review is concerned with the amount, condition, suitability, appropriateness, etc. of the Council's office accommodation. Via particularly the comparison section of this report, the competitiveness of the properties has been assessed. An assessment of the relative merit of freehold ownership of the properties as against leasing has not been undertaken at this stage as it is considered that the Authority first needs to come to some broad conclusion regarding its future space needs and location requirements. Once these broad conclusions are reached the freehold ownership v's leasing assessment can be made as part of the ongoing strategic approach to property management identified in this report and which will be covered in later phases of the review.

3.4.2 This Phase I review has not considered competition for the property management service because this Phase is solely concerned with the arrangements pertaining to strategic management and office accommodation. The property management services in the authority

cover a much wider portfolio (see paragraph 1.3.). Consequently the competition aspect will be fully considered in the later Phases of the review continuing in years 1 and 2 of the Council's 5 year programme of fundamental best value reviews. The strategic property management function recommended in this report, is required to deliver the performance improvements required in the short term and at this stage should be provided internally.

3.4.3 **Main issues identified from Competition**

The competition issues are not addressed in this stage of the best value review, but will be considered in the future stages of the review.

3.5 **Challenge**

3.5.1 Through the process of challenge, the review has addressed why we have office accommodation and whether we can rationalise property holdings. Whether the Council should own the buildings it occupies has been raised but is not answered in this phase of the review. This will be addressed in the subsequent stages of the best value review in years 1 and 2 of the council's five year programme. The rigour and approach of the work undertaken by the review group has been challenged through working with consultants - DTZ Peda.

3.5.2 The main areas addressed through the challenge process are as follows:-

- what are the aims and objectives for office accommodation?
- what is the purpose of providing office accommodation?
- what accommodation will be needed in the future?
- what strategic management arrangements are required?

Aims and objectives for office accommodation

3.5.3 Nine aims for office accommodation have been derived from the strategic plan together with ten specific measurable objectives linked to aims. These were developed through workshop sessions of the Review Group - See Appendix 4 for aims and objectives.

3.5.4 Performance indicators have been identified to measure progress towards achieving these objectives - See paragraph 3.3.4.

The purpose of providing office accommodation

3.5.5 The Review Group challenged why office accommodation is needed and concluded that office accommodation serves three purposes:

1. To accommodate central administrative support functions
2. To provide accommodation for officers working in the community, for example education welfare officers, social workers and area housing officers

3. To provide a point of access for customers, for example housing rent payment facilities and social services advice

The requirement for office accommodation is not static and the next sub-section looks at the principal drivers of change.

Future Needs

- 3.5.6 In order to identify the type, size and location of offices required in the future trends, initiatives and policies influencing future office accommodation requirements, including changes in the external environment as well as internal initiatives were examined by the Review Group.
- 3.5.7 Key drivers of change have been identified and are listed below. It is noted that many of the headings are inter-related, e.g., IT, workplace strategic and service delivery initiatives. However, consideration of each one will help to build up a picture of future office accommodation requirements.
 - IT initiatives and service delivery issues e.g., E-merge, one stop shops, call centres.
 - Financial Issues - revenue/capital drivers, single pot allocation linked to efficient asset management.
 - Statutory Issues for example, duty of best value, ever tightening Health and Safety Regulations, Disabled and Disability Awareness which impact directly on issues of equality of access.
 - Customer/Community access - one stop shop and community resource centre facility considerations.
 - Cross cutting initiatives and partnering e.g., D.S.S., Health Authority, Police or Directorate initiatives.
 - New working practices e.g. hot desking, teleworking and home working.
 - E commerce and Dot Com services.
 - Office Staff Number Projections - white collar numbers have remained more or less constant over the last 5 years. It is assumed that staff number will reduce by 5% over the next 5 years for the following reasons:
 - ▶ E-merge is likely to lead to a reduction in staff of between 50 and 80
 - ▶ In Social Services 75% of the staff are employed in a purchasing capacity and these are likely to remain constant. However, approximately 150 administrative jobs in the provider function may transfer to the private sector

over the next five years.

- ▶ No reductions in staff are foreseen in Environmental Services.
 - ▶ A small increase in administrative staff in Housing is likely in order to address large waiting lists for renovation grants.
 - ▶ In Education, Government initiatives are likely to keep administrative staff requirements high for the foreseeable future.
- Outsourcing - Best Value may lead to services being outsourced in some areas, where the authority concludes that it is not able to achieve best value via its own workforce..

Assessment of Strategic Management Arrangements

- 3.5.8 Property management involves two broad areas of activity. Firstly, strategic management and secondly, the operational activities to run and maintain property on a day to day basis and acquire or sell property when required.

Examples of Strategic Management activity are shown below:

Capital planning
Procurement of property services
Overall contract management
Property data
Accommodation strategy
Property strategy - purchases and sales required
Balancing user group's requirements
Guidelines and standards
Budget formulation
Overall performance
Planned maintenance

- 3.5.9 Currently no one Directorate has specific overall responsibility for the strategic or operational management of the Council's office portfolio.

- 3.5.10 Responsibility, both operational and strategic, for the 50 buildings in this review is examined by individual Directorates and can be summarised as follows:

Directorate		No. of Buildings	Area Occupied m ²	% of Total Area
a)	Development Services	16	25,440	53
b)	Education and Leisure	7	10,065	21

c)	Housing	16	6,415	13
d)	Community & Social Services	10	3,955	8
e)	Environmental & Consumer Services	1	2,625	5

3.5.11 The current arrangements, with each Directorate being responsible for strategic and operational issues is not delivering good property performance. This is demonstrated through comparing Salford's property performance with other authorities in the Sheffield Hallam benchmarking group.

3.5.12 In order to improve performance there is a need to improve strategic property management and the advice from the DETR, the Audit Commission and our consultants is that strategic property management is likely to be more effective when it is provided by a single body with responsibility for strategic matters. This ensures that a holistic view of property provision is taken, that any conflicts with or between directorate interests are resolved and that the corporate interests of the Council are considered. With the existing arrangements there can often be a focus on the urgent day to day operational issues and insufficient emphasis on the longer term strategic issues.

3.5.13 It is clear that there is a strong individual directorate culture in dealing with property notwithstanding attempts to foster a corporate approach. Consequently, if current arrangements are to change, with a move to strategic property decisions being taken corporately, this will need to be clearly established and be robustly implemented.

3.5.14 **Main Issues identified from Challenge**

- **Office accommodation is and will continue to be required.**
- **Office accommodation needs are changing due to a number of internal and external influences.**
- **Buildings will need to be capable of more flexible use and have high levels of ICT infrastructure to facilitate an increasing rate of change in service delivery and staff reorganisations.**
- **The council's approach to strategic property management will need to change to enable economic, efficient and effective provision of office accommodation to support both current and future service delivery.**

SECTION 4 EVALUATION

4.1 Following consideration of the main issues identified under the 4C's the key issues to emerge are that:

- a) Having assessed the Authorities space needs the most appropriate way of meeting

- those needs must be identified
- b) It appears that the amount of space held can be reduced significantly
 - c) There are financial benefits to be obtained through space reduction
 - d) There is a need to review the authority's strategic management arrangements

These are explored in more detail below.

4.2 After considering the internal and external drivers for change (Paragraph 3.5.7), the broad future requirements for office accommodation may be very loosely described in terms of:

- Quantity - the amount of space required for both central office and community based offices will reduce overall due to the introduction of new working practices, outsourcing and a consequent reduction in staff numbers and the financial imperative to reduce running costs.
- Specification and workplace configuration - buildings will need to support higher levels of ICT infrastructure in the future. Buildings should be capable of flexible use to adapt to the increasing rate of change in service delivery, and to enable high levels of occupation and staff re-organisation.
- Location - central office accommodation could in theory be located anywhere in the City, subject to good car parking facilities and access by public transport. Community based office accommodation needs to be distributed to provide officers with easy access to the community and the community with easy access to the officers as may be appropriate. One stop shops need to be located to provide easy customer access.
- Condition - limited resources and the need for building to be fit for purpose means that a strategic approach to maintenance must be taken. Management of the property portfolio will need to take account of future maintenance liabilities.

Quantity

4.3 It is clear from section 3.3 (compare) that there is significant scope for improving space efficiency i.e. number of square metres per person, although this is not supported by directorates' perceptions. Despite directorates views, the overwhelming evidence demonstrates that, by good management, the Council should be able to achieve significant space and financial savings, by improving space utilisation from its current low levels (average 21m² per person). There is the potential to improve space utilisation through a variety of methods including:-

- More rigorous space management by directorates and a central unit with a corporate property overview (e.g., the use of space standards, a system of asset rental, work space sharing and centralised work space booking)

- The adoption of new working practices where possible.
 - The provision of work space that is fit for purpose
- 4.4 A space needs exercise has been undertaken, based on a number of assumptions - See Appendix 9. A summary of the findings follows.
- 4.5 Assuming no reduction in current staff numbers, potential space savings are broadly estimated to range between 8,500 sq m and 28,500 sq m (based on occupation at 15 sq m/person to 8 sq m/person). The radical figure of 28,500 sq m would also depend on new purpose-built accommodation being provided.
- 4.6 Further spare capacity will be created if the number of office based staff reduces from current levels. It is assumed that changing service delivery initiatives such as outsourcing, call centres and E-merge, along with other operational efficiency gains will lead to a net reduction in staff numbers of 5%. This means that there may be a future opportunity to make space savings of approximately 5% on top of those secured by improving space utilisation.

Specification and workspace configuration

- 4.7 Improving space efficiency means the authority will need less accommodation into the future. This can be achieved by a rationalisation of the current office portfolio which will need to take account of specification and workplace configuration i.e. we will need to dispose of our poorest performing properties. Additionally the rationalisation is likely to require investment in modern fit for purpose facilities, that will meet changing service delivery requirements and allow new working practices. Such investment should lead to further improved space utilisation and realise capital receipts. Alternatively the authority could vacate its existing freehold buildings and meet its future space needs by leasing from the private sector. The most appropriate method of satisfying our future requirements will need to be considered by the strategic property management group, if implemented.

Location

Consolidation of Central Administrative Activities

- 4.8 By improving space utilisation, it should be possible to consolidate central administrative activities onto a group of core sites, for example at the civic centre campus, plus two or three other locations. The potential exists to expand accommodation at the civic centre campus site. There is also a number of other sites in the city which could accommodate the council's requirement. Consequently, in theory, there may be a more radical opportunity to consolidate central administrative activities at a single site perhaps with a completely new build facility.
- 4.9 In addition to property related savings, consolidation of central activities onto a reduced number of sites and, particularly, a single site, may result in significant operational cost savings through reduced duplication of some functions and reduced inter-site travel. There are also likely to be other operational benefits accruing from co-location of Directorates' and

corporate central activities, including improved cross-service communication, co-operation and innovation.

Consolidation of Community Satellite Offices

- 4.10 Individual Directorates currently provide accommodation for community-based officers, with little or no sharing of work space between Directorates. Given that community-based officers from different service areas generally require access to similar facilities in similar locations, there is an opportunity for Directorates to share community satellite office facilities. Collaboration by Directorates on this issue would provide an opportunity to reduce duplication of community office accommodation, and it would perhaps also enable some reduction in the overall administrative support function in these offices. This would result in savings in both property and operational revenue costs. In addition, a corollary of co-locating community-based officers would be greater cross-service communication and perhaps innovation. Realisation of this opportunity would, however, depend on overcoming confidentiality issues and conflicts of interest, such as those that sometimes exist between Social Services and Housing Services. Housing are currently reviewing their approach to area service delivery which may ultimately lead to there being fewer area housing offices. The need for staff to be easily accessible to their communities needs to be considered.

In addition, the work patterns of community-based officers may lend themselves to new working practices, particularly hot-desking and home working. At the moment most community-based officers are allocated a desk each, even though a significant proportion of their time is spent meeting customers in the community. By embracing hot-desking and home-working, there may be an opportunity to replace the traditional community satellite office with 'touch-down' or 'drop-in' facilities comprising shared workstations and meeting rooms. Improvements in the work environment through investment in ICT and accommodation would need to be taken out of the capital receipts and property running cost savings resulting from rationalising the existing community satellite offices.

One Stop Shops

- 4.11 Following the Information Society strategy document "People not Technology" (March 1999) the City Council has been developing a pilot One Stop Shop (customer service centre) in Little Hulton. It is possible that the One Stop Shop initiative will be rolled out to between five and nine sites across the City and appropriate properties in locations easily accessible by the community will be needed. Direct service property with spare capacity may provide opportunities to accommodate One Stop Shops and some of the existing community based offices may also be suitable. Furthermore, there is the possibility of co-locating One Stop Shops with the proposed shared office facilities for community-based officers.

The One Stop Shops will to a large extent replace the customer access function that some community-based offices currently provide, for example housing rent payment facilities. This strengthens the opportunity to replace the existing community offices, held by individual Directorates, with new satellite office facilities shared by Directorates.

Call Centres

- 4.12 A pilot call centre is currently in operation and this initiative is to be further expanded. Operatives working within a call centre will occupy less space (6 sq m/person) than they currently occupy. Call centres will reduce overall space requirements and will be accommodated within core office accommodation.

Condition

- 4.13 The majority of the buildings in the office portfolio that require maintenance expenditure within three years to prevent them from falling into a 'hazardous' condition are community satellite offices. Rationalisation of community offices will lead to a significant reduction in the Council's future maintenance liability. The condition survey is included as Appendix 7.

Financial Benefits

- 4.14 Applying the average cost of the portfolio (£86 per sq m excluding asset rental charge) to the space savings discussed in paragraphs 4.3 - 4.6 above, produces a reduction in running costs of between £0.76m and £2.4m a year.
- 4.15 Clearly, these reductions will only be achieved if the spare capacity created leads to buildings being vacated and sold. Reducing space will also require staff movement, building adaptations new equipment and I.T., which will have a cost implication. In order to explore the potential for cost savings, a range of options have been considered and indicatively costed, as shown in appendix 12.
- 4.16 Disposal of property assets will also generate capital receipts.
- 4.17 It should be noted that some potential revenue cost savings and capital receipts may be ring fenced within the HRA. An element of these savings are already being reflected in the 2000/20001 budget.
- 4.18 A range of alternative procurement options is available for funding improvements to the City's office portfolio. For example, the private finance initiative provides, in theory, the opportunity for the City to secure new bespoke central office accommodation on a single site through payment of an annual charge for say 25 years. The size of the annual charge would be reduced according to the value of any assets transferred to the private sector partner.

Strategic management arrangements

- 4.19 Section 3.5 (challenge) identified the issues around strategic property management. In summary it is considered essential to establish a discrete strategic property management unit to enable the issues in realigning the council's property to be addressed. While strategic property issues are dispersed throughout the authority it is unlikely that strategic corporate decisions and actions will be able to be taken with any degree of success. The establishment of a strategic property management unit would enable detailed consideration to be given to

the variety of options available for the supply of future office space requirements.

SECTION 5 OPTION APPRAISAL

Option Identification

- 5.1 This section identifies a number of options for bridging the 'gap' between the Council's office requirements and current accommodation and the 'gap' between existing strategic property management arrangements and those required. They have been generated after consideration of the key issues and opportunities discussed in under the 4C's and in Section 4. The options identified largely assume that at this stage the authority will continue to work out of its own property. However, further options exist in which the Authority ceases to own some or any property, and enters into a leasing arrangement. Whilst the cost implications of these further options have yet to be considered they do not affect the principal issue - that of improving the authority's space utilisation from its current level of 21m² per person (average). It would be the role of the strategic property management unit, if established, to research and develop the most effective method of providing the appropriate level of accommodation, once that level of accommodation has been determined. Similarly opportunities may exist to generate income from surplus properties, rather than disposing of them, to generate a capital receipt. Again, this would be the subject of consideration by the strategic property management unit.
- 5.2 Three broad strategic property options have been identified. They have been drawn from a continuum of options starting from a base case 'do nothing' or 'do minimum' at one end of the continuum to a radical option at the other end.

Option 1: Do minimum

Option 2: Consolidate central/Administration facilities on no more than four core sites and provide a number of satellite facilities for community-based officers.

Option 3: Consolidate central/Administration facilities on to a single site and provide a number of satellite facilities for community-based officers.

In addition, two options for strategic property management arrangements have been identified:

Option A: Status Quo

Option B: Establish a unit with responsibility for strategic corporate property management, subject to the best value review of property services.

The three options for office accommodation are described below:

Option 1: Do Minimum

- 5.3 This is the baseline option against which the other options will be tested. Under this option, the City continues to occupy the premises held on 31.12.99 with properties being acquired or relinquished as driven by Directorate's service and budget requirements. For example, it is recognised that the Education and Leisure Directorate are currently reviewing their options which are likely to result in some consolidation of their requirement.

Option 2: Consolidate central/Administration facilities on no more than four core sites and provide a number of satellite facilities for community-based officers.

- 5.4 Under this option central/administration activities are accommodated within five years at the Civic Centre Campus and two or three other core sites.
- 5.5 Approximately seven office satellite facilities for some 600 community-based officers are provided across the City. This is shared accommodation for community-based officers from all Directorates, together with limited administrative support. It is anticipated that some administrative functions currently undertaken in community offices are consolidated into core central/Administrative sites. At this stage, it is assumed that 11 sq m per person should be allowed.
- 5.6 It is noted that between five and nine One Stop Shops (if these are provided under the Information Society Initiative) may be set up across the City, either as separate facilities or integrated with the community-based office accommodation. At this stage the space requirements for one stop shops are not included in this exercise.
- 5.7 The consolidation of activities envisaged in this option will result in properties being vacated and sold in year 1 to 5 of the strategy.

Option 3: Consolidate central/Administrative facilities on to a single site and provide a number of satellite facilities for community-based officers.

- 5.8 Under this option the central/Administrative activities are consolidated within five years onto a single site. This is provided either through consolidation with new build on the Civic Centre Campus or with a new build elsewhere within the City boundaries. It is assumed that the floor space requirement of the new build option is less than the consolidation on the Civic Centre Campus because bespoke accommodation can be utilised more efficiently.
- 5.9 This is supported by approximately 7 office satellite facilities for some 600 community based officers provided across the City. These will comprise office accommodation providing one work station for each administrative support worker, assumed to be 10% of staff, and one work station for every three of the remaining staff. This assumes that flexible working practices such as home working and hot desking are adopted by these staff.
- 5.10 At this stage it is assumed that 6 sq m per work station should be allowed together with an additional allowance of 2 sq m per person to reflect the need for separate interview and meeting rooms to be provided.

- 5.11 The adoption of flexible working practices will depend on investment in ICT and the general working environment. One stop shops would be dealt with as under option 2.
- 5.12 The consolidation of activities envisaged in this option will result in properties being vacated in years 1 to 5 of the strategy.

Comment

- 5.13 Option 1, doing nothing, is not achieving best value. All of the data gathered so far indicates that this is clearly not the case. Salford's costs and space utilisation are at best only average and fall somewhat short of the best performing authorities.
- 5.14 In order to approach the results of other better performing authorities it is necessary to review the accommodation currently in use. Some of the accommodation is in a less than satisfactory condition, some is not suitable for modern ICT technology, some is not user or staff friendly in terms of access and some is not space or cost efficient. There are clusters of offices scattered around the city each building usually only providing a single service. Consolidating services into single buildings at various locations across the City would enable inefficient buildings to be disposed of and better use made of existing remaining buildings.
- 5.15 Both Option 2 and the more radical Option 3 address the problems of the existing accommodation. Option 3 requires a radical decision to consolidate onto a single site, either using an existing complex and adding to it or by a complete rebuild. This option requires significant expenditure which would be incurred at a time when property requirements could be subject to further substantial change as new technology, new working practices and changes in service delivery are introduced. Consequently the investment may not provide buildings matched to future need.

The two options for strategic property management are described below:

- 5.16 It should be noted that this report concerns itself with strategic property management where the options identified are:

Option A: Do Nothing

- 5.17 Under this option the City continues with existing arrangements with individual Directorates having responsibility for various aspects of both their strategic and operational property requirements. The Directorates exercising the most individual responsibility are Development Services , Education and Leisure, Housing, Community and Social Services and Environmental and Consumer Services.
- 5.18 These arrangements mean that there is no single body with responsibility for corporate strategic property management.

Option B: Establish a unit with responsibility for corporate strategic property

management, reporting to Members as appropriate.

5.19 Under this option the unit would have responsibility for such things as:

- Capital planning
- Property data and performance targets and monitoring
- Property strategy, guide lines and standards
- Balancing user group requirements
- Procurement and disposal of property
- Procurement of property services and overall contract management
- Planned maintenance

5.20 Where buildings are occupied by more than one Directorate and with the property options 2 and 3 described in paragraph 5.4 to 5.8 this increasingly becomes the case then, in relation to those multi occupied buildings, additional responsibilities will be held at the strategic level for such things as:

- Cost control
- Facilities management
- Maintenance
- Contract management
- Energy management

5.21 It should be noted that property services are currently provided by officers in various Directorates, and that the property service is subject to best value review outside this first phase office best value review. The implementation of the strategic management option B would not conflict with the service review and can be implemented irrespective of which office accommodation option is pursued. However successful implementation of office accommodation option 2 or 3 would require the establishment of a unit with the responsibility for corporate strategic property management.

5.22 To establish this unit initial resources will need to be identified with its final staff and resource needs being reviewed as the full property best value programme is undertaken and implemented. Consideration needs to be given to the composition of the unit, its location, and how it can be resourced in the short term. In the medium to long term, savings in staff resulting from a smaller property portfolio, should enable the unit to be resourced.

Effectively establishing the unit should be seen as an invest to save initiative.

Comment

- 5.23 Government is concerned that Local Authorities are not using their assets efficiently and that to improve property performance they need to be aware of current performance, review the assets they hold, have an effective asset management plan, dispose of surplus property and use retained property more efficiently and effectively.
- 5.24 Salford's current strategic management arrangements are not delivering good performance as can be seen from the performance data collated and the work with Sheffield Hallam University benchmarking club. There is a clear message coming from the DETR, the Audit Commission and other bodies that to improve performance there is a need for effective strategic property management and that this can be most effectively provided by Councils establishing a single body with responsibility for strategic property management.
- 5.25 In addition, the successful implementation of property Options 2 or 3 would also need the establishment of such a body to be responsible for data gathering target setting and monitoring the production of strategy guidelines and standards and driving forward the implementation strategy.
- 5.26 The main advantages and disadvantages of the above options are listed at appendices 10 and 11.
- 5.27 A broad financial evaluation of the property options has been undertaken, which is included in Appendix 12.

SECTION 6 PREFERRED OPTIONS

- 6.1 Preferred options for both the office accommodation and management arrangements have been identified through the presentation of the Report to and discussion with the Review Panel and these preferred options are being recommended to Committee as follows.

6.2 Office Accommodation

- 6.2.1 In considering how much space should be provided it is recommended that an overall space standard of 11 sq.m nett internal area (NIA) per person should be adopted as a maximum.

This standard is an average figure and is already being met in a number of buildings, eg, the Civic Centre. However, bearing in mind the physical limitations imposed by much of the existing building stock and noting that interview / meeting room and reception areas are included within this space allowance, the target of 11 sq.m of floorspace per person is considered appropriate.

- 6.2.2 Adopting this space standard will result in approximately 20,000 sq.m NIA of core HQ office accommodation and approximately 6,000 sq.m of satellite office accommodation being required.

- 6.2.3 In considering the location and distribution of the required accommodation it is recommended that Option 2, consolidation of HQ office accommodation on no more than four sites, and the provision of a number of satellite facilities for community based officers, should be pursued.
- 6.2.4 It is recommended that these objectives should be achieved within a 3 year plan period.
- 6.2.5 It is recommended that as part of the implementation strategy new working practices such as hot desking and home working should be actively pursued and implemented where appropriate, to further reduce space needs.

6.3 Management Arrangements

- 6.3.1 It is clear from the work undertaken that Option 2, the establishment of a unit with responsibility for corporate strategic property management should be pursued.
- 6.3.2 It is envisaged that this unit could be located within Development Services Directorate.
- 6.3.3 The unit, reporting to Members as appropriate, would exercise the responsibilities outlined in Paragraph 5.19 of this report and that as change in office occupation was implemented responsibilities would extend to those outlined in Paragraph 5.20.

SECTION 7 COMMENT ON LIKELY IMPLEMENTATION

- 7.1 Whilst a detailed implementation strategy will need to be developed it is envisaged that the core sites are likely to be Civic Centre, Crompton House, Turnpike House and sufficient space for the Education and Leisure Directorate, the location of which is to be established.
- 7.2 The location of the satellite offices will need to be agreed. It is likely that there will be approximately 9 locations and a key principle is that Directorates will share a building. It is hoped that existing buildings should be able to provide some of the space required.
- 7.3 In developing an implementation strategy there will need to be close co-operation with Group's working on other initiatives eg customer service centres, (one stop shops and call centres) community resource centres, and potential changes in A.H.O. provision. Significant development are happening in these areas and it is important that all these initiatives work together towards a common goal. The developments that start to be put in place by the strategic property management unit need to take cognisance of these other initiatives, but equally those groups working on these initiatives must take account of the strategic property recommendation contained in this report.

It should also be noted that to achieve the space standards recommended there will need to be:

- Support and Leadership from Directors
- The building of an awareness of space utilisation by occupiers

- Financial incentives
- Clearly established space standards and performance targets

- 7.4 Whilst the composition and funding of the unit responsible for corporate strategic property management will need to be agreed it is envisaged that the unit will initially comprise 2/3 fte's and that these posts would be filled by existing staff. Current work would then need either to be undertaken by new staff appointed on temporary contracts or areas of work to be discontinued would need to be identified. Appointments on temporary contracts would not prejudice the outcome of the Best Value Property Service Review and if as a result of that review the Service continued to be provided in house then as property holdings reduced in the medium term existing staff could be redeployed enabling the temporary contracts to be determined.
- 7.5 Funding of new staff on a temporary basis would need to be secured through a spend to save initiative with the saving being one of the calls on the money saved through reducing property holdings and running costs.
- 7.6 If funding is not available then it would be necessary for identified areas of work to cease to be undertaken.