

COUNCIL CABINET
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Report sponsor: Paul Simpson, Chief Executive

ITEM 13

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Council House Optimisation

Purpose

- 1.1 To raise awareness and gain support for Phase 1 of the Council House Optimisation Project (Phase 1).
- 1.2 The focus of Phase 1 to be reconfigure the first-floor of the Council House (CH) to create a working environment which supports hybrid-working and allows spare desk capacity to be made available for rental by partner organisations, supporting the achievement of the 2023/24 MTFP income target for the CH
- 1.3 The proposals will also impact upon other floors of the Council House, through some displacement of colleagues from the first floor to other areas and because the project offers an opportunity to review and improve how we use the building for all colleagues in the post pandemic hybrid working environment.
- 1.4 Phase 1 will therefore have an impact on how colleagues, members and partners use and view the Council House. Its success relies on gaining buy in and support from a wide range of stakeholders, including members, executives, colleagues and partners. This paper is an important step in socialising the proposals and gaining this support, prior to entering into any medium term legal arrangements and forging long term plans for how the building is used.

Recommendations

- 2.1 To note and support the delivery of Phase 1 of the Council House Optimisation Strategy, as outlined in this paper.
- 2.2 To delegate authority to the Director of Corporate Governance, Property and Procurement, following consultation with the Director of Finance and the Portfolio holder for Housing, Property and Regulatory Services, to agree the terms of and enter into all necessary legal agreements with third parties to facilitate moves into the Council House in line with Phase 1, as outlined in this paper.
- 2.3 To note that the management of this process will be the responsibility of the Asset Rationalisation Programme Board, which reports into Delivery Board and, where necessary, update reports will be brought to Cabinet.

- 2.4 To note the proposal to use Place Pilot funding to support the Programme, to be used to support staff resource and to fund space planning and connectivity survey work in the Council House and to delegate authority to the Director of Corporate Governance, Property and Procurement, following consultation with the Director of [Vibrancy and Growth] to enter into such arrangements as necessary to utilise the Place Pilot funding for these purposes.

Reasons

- 3.1 The Council House is an underutilised asset with reduced desk occupancy post pandemic.
- 3.2 Re-imagining how the Council House is used by colleagues to support hybrid-working and renting space to third parties presents an opportunity to generate income, in excess of the current MTFP target, and to deliver benefits and efficiencies through colocation and collaboration with key public sector partners.
- 3.3 There is market interest in renting space in the Council House. The Council House offers Grade A office space, is generally in good condition and boasts excellent “green” credentials.
- 3.4 Bringing public sector colleagues into the Council House supports the Government’s One Public Estate Programme of works, for which the Council has been selected as a Place Pilot Authority to support precisely this kind of public estate asset consolidation.
- 3.5 The Project will support the wider Regeneration objective to bring office workers into the City Centre.

Supporting information

- 4.1 The Asset Rationalisation Programme was established in the Autumn of 2022. By rationalising the buildings the Council holds, the Programme Team were tasked to deliver a range of outcomes including:
- financial savings,
 - optimising the use of property assets,
 - enhancing demand management, and
 - supporting more efficient and effective partnership working.
- 4.2 Following extensive data gathering and benchmarking, optimising the use Council House was identified as the priority. The Council House opportunity stood out because:
- it is the largest, highest profile and most expensive asset to run in the portfolio,
 - it is generally in good condition,
 - the move to hybrid working has reduced utilisation,
 - there is latent demand for high quality, environmentally friendly, grade A office space in the City Centre,
 - there is already a 2023/24 income target of £140k for CH rent built into the MTFP.

- 4.3 The Programme Team has already had some success in starting to re-populate the first floor.
- 4.4 In October 2022, Council colleagues from Curzon Street, including the Youth Offending Service, relocated to the CH. This enabled a leased building to be surrendered, and in the process, supported the delivery of an MTFP savings target.
- 4.5 In May 2023, the Programme Team licensed 30 desks to a public sector health partner who join the Police, Department for Work and Pensions, Derby Homes and others who already share the Council House space with us. Feedback from Peoples Services colleagues on the first floor already indicates the relocation is having operational benefits.
- 4.6 Moving forward, the Programme Team will continue to focus on bringing in public sector partners and other health-related organisations, who we already work closely with and where we see huge potential benefits in co-locating for both parties.
- 4.7 Another important aspect to Phase 1 is addressing whether the CH is set up optimally for hybrid working, for all users of the building. Initial feedback is that there are barriers to collaborative working, including insufficient meeting / joint working space and smaller private areas in which to hold Teams meetings or one to ones. There are also practical logistical barriers to re-populating the building in terms of ensuring all desks are properly stocked from a furniture and IT perspective.
- 4.8 The Programme Team are taking practical steps to address some of these issues, such as bringing back into use a number of meeting rooms that had been repurposed during the pandemic. In addition, the Programme Team have agreed with Cabinet that the number of individual Cabinet Member offices be reduced, recognising that Councillors have also adopted hybrid-working and that there is no longer a requirement for individual offices. The released Cabinet Member offices can now be used either as meeting rooms or potentially as executive offices, if required by future licencees.
- 4.9 However, prior to taking any significant steps in changing the way we use the building, we need to take stock. We will issue a survey to Heads of Service to seek their views and we intend to bring in external support from office planning professionals to better understand the market and the range of opportunities available to us. We are also establishing a series of Project Team subgroups to look at key areas such as I.T. and Floor Planning.
- 4.10 To support the delivery of Phase 1, Derby has the benefit of being a Place Pilot area. Delivered through the One Public Estate programme, Place Pilots are bringing together all public asset owners in each place – central government organisations, councils and other public sector organisations – to deliver a more joined up approach to future public estate demand and supply. Bringing public sector partners into the CH will be a central contribution to our Place Pilot work and we are seeking to fund a lot of the initial feasibility work (including the external space planning advice) through grant already allocated to Derby. It also raises the profile of the project and will help gain traction with the wider public sector.

- 4.11 After Phase 1, there could be future phases of work. For example, we believe there will be capacity to bring in more partners to other floors of the building. However, we are phasing the project for a number of reasons. Firstly, we need an initial period to implement some CH housekeeping (for example reviewing and rationalising storage) and to make sure we understand the workplace requirements of our colleagues and future partners. Secondly, phasing helps with internal resource allocation. Thirdly, it will give us chance to learn from Phase 1 and to also review whether the Project has any impact on our internal colleague behaviours, reducing the risk of overcommitting on the number of desks licensed out.
- 4.12 The risks with progressing are mainly around Phase 1 still largely being a vision at this early stage. There is uncertainty around the ability to secure the right partners, as well as around the extent of improvements required to the Council House. For this reason, the Programme Board will remain agile in its decision making: it may be some partners would be better suited to other floors (if we house any support services for example). As already seen, there may also be a need to act quickly and seize opportunities as they arise. So, Phase 1 provides an overall direction of travel in terms of generating income, collaborative working and improving the office environment; but the implementation could vary on the ground in terms of the partners, the number and location of desks, and timelines.

Public/stakeholder engagement

5.1 This proposal will affect:

- Existing DCC colleagues working in the Council House (CH)
- Partners who move to the CH as licensees
- Existing tenants, licensees and partners already co-located within the CH
- Potential customers of the new licensees (very limited numbers expected to visit CH in person).

5.2 It may also impact:

- DCC colleagues currently working outside the CH who may move to the CH during the course of the Programme
- DCC customers using the CH (although new tenants are anticipated to have very limited numbers of visitors).

5.3 We have consulted with:

- Corporate Leadership Team
- Senior Leadership Network
- Managers Conference
- Delivery Board
- All key services involved in delivery
- Management teams that have shown an interest in the CH
- Equality & Diversity Lead
- Trade Union Reps
- Councillors.

5.4 We plan to consult with:

- Heads of Service with staff based within the CH
- Existing tenants and partners based within CH
- Equalities groups

5.5 Feedback to date has been overwhelmingly positive. Future consultation will be carried out by a mixture of face-to-face meeting and online surveys.

Other options

6.1 Doing nothing for now and focussing on other opportunities in the estate was an option, but the Council House stood out as the single biggest opportunity to progress at pace. The risk of not progressing Phase 1 at all is one of missed opportunities; in terms of rent, optimising the building for hybrid working, and better partnership working.

Financial and value for money issues

7.1 There is an MTFP target of £140k rental income in the MTFP for 23/24. The Council needs to take proactive steps to meet and potentially exceed this target. Detailed commercial considerations are included in the exempt report

Legal implications

8.1 We are seeking to enter into medium term licences with organisations moving into the CH. The significance of a licence, rather than a lease, is that the licensee is not granted exclusivity in relation to any part of the building. This provides flexibility to the Council if we wish to rearrange seating plans during the occupancy period. It also reflects the fact we want the office to be a fluid space to support collaborative working, even if licensees will have designated desk zones.

8.2 The licence document that will be used, and is already in use with public sector partners in the CH, has been prepared by DCC's Legal Department.

Climate implications

9.1 The Council House has exceptional environmental credentials. It is rated BREEAM excellent and has an Energy Performance Certificate rating of A+. Specific green examples include hydro-electric power, solar panels, adiabatic cooling, rainwater harvesting and recycling facilities.

9.2 The project team will consider any incremental gains that could be made, including the introduction of LED lights. Funding for any improvement would be subject to approval from the Climate Change Fund.

9.3 The proposal will reduce the carbon footprint of the public sector as a whole. It is not possible to calculate the overall net impact across the city, but licensees intend to reduce their carbon footprint by relocating to a more environmentally friendly buildings which is a very positive step.

Socio-Economic implications

- 10.1 No direct impact on colleagues already based in / customers using / partners moving to the CH.
- 10.2 There are potential wider benefits in terms of bringing office-based workers into the City Centre.

Other significant implications

- 11.1 **Personnel** - The changes are likely to impact on all colleagues that use the CH, and it is a priority to manage and communicate the change process, making incremental improvements for all colleagues where practical.

The proposals are based on the council operating a hybrid working model, that this model will continue, and that its application will remain broadly consistent.

- 11.2 **Equalities** – The Phase 1 Project has an Equality Impact Appraisal in draft. We are still consulting but have not identified any significant risks to date and some opportunities.
- 11.3 **Health and Safety** – We do not intend to fundamentally change the way the CH is used and will remain well within the operating limits for the building.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Emily Feenan	22/05/2023
Finance	Alison Parkin	05/06/2023
Service Director(s)	Emily Feenan (Director of Corporate Governance, Property and Procurement and Monitoring Officer)	22/05/23
Report sponsor Other(s)	Mohammed Basharet (Interim Head of Corporate Buildings and Facilities Management Services)	24/05/23

Background papers: None.

List of appendices: None.