



## **SCRUTINY COMMISSION - 9 MARCH 2022**

### **WAYS OF WORKING PROGRAMME – DELIVERY OF FINANCIAL SAVINGS**

#### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

##### **Purpose of report**

1. The purpose of this report is to update the Committee on the corporate Ways of Working Programme, specifically in relation to the delivery of the agreed financial savings outlined in the recently approved Medium Term Financial Strategy.

##### **Policy Framework and Previous Decisions**

2. The Ways of Working Programme is a key aspect of the Council's Strategic Change Portfolio, with elements of the current People Strategy 2020-2024 also forming part of this programme of work – these include smarter working, wellbeing, leadership, and performance management.
3. On 2<sup>nd</sup> December 2021 the Employment Committee considered the Programme, noting its' aims to drive improvements to the Council's ways of working and next steps in terms of its implementation.
4. Given the scale of the Programme and its implications for how the Council will operate in the future, the Scrutiny Commissioners agreed to appoint an informal Task and Finish Group to provide some independent challenge as to how programme objectives will be delivered, and benefits realised. The Group also considered the potential impacts, risks, and barriers to its success. This Group met in November and December 2021 and the report summarising its findings will be considered elsewhere on the agenda for this meeting.
5. The Medium Term Financial Strategy approved by full Council on 23<sup>rd</sup> February 2022 includes the projected net financial outcomes of the Programme, taking into account investment required in both resources and infrastructure, as well as the savings and income that this will enable.

##### **Background**

6. As outlined in the report of the Scrutiny Task and Finish Group, the Ways of Working Programme has the potential to deliver significant benefits for the Council as a result of changing how services operate on a day-to-day basis, accelerated by the COVID-19 pandemic.

7. By incorporating more flexible and remote working into service delivery models, the Council can benefit in several ways including: increased productivity, staff wellbeing, and positively impacting our environment due to reduced travel and commuting. The Task and Finish Group focused on the delivery of these wider benefits. A significant portion of the Programme benefits are, however, financial which will be the focus of this report.
8. The financial savings and opportunities can be divided into 4 categories – income generation, reduction in building operating costs, operational savings and capital receipts.
- Income generation – Staff working more flexibly, taking advantage of different workplaces, presents the Council with the opportunity to reduce the amount of space occupied by its staff, freeing up space to generate an income primarily through leasing and tenancy, but also through exploring commercial opportunities.
  - Reduction in building operating costs – By reducing space required for staff, this will enable exits from some leased buildings, as well as the possibility of re-negotiating existing arrangements to deliver a financial saving where current arrangements no longer match future business need.
  - Operational savings – Primarily through a sustained reduction in business travel as services reduce unnecessary travel and move some aspects of service delivery to digital means. Further savings (yet to be quantified) are anticipated from reductions in photocopying and printing - the ways of working programme encourages and should facilitate a move towards a paperless office environment.
  - Capital Receipts through disposals of a site.

### **Income Generation**

9. Based on the opportunities for space to be freed up, work has been completed to assess the ability to rent out freed up space across the County Hall campus. Based on current market rates, this presents a potential income generation of up to £1.4m per annum above current tenancy levels based on current knowledge of how services plan to work in the future. To date there has been interest expressed from several potential public sector tenants, although no formal agreements have yet been confirmed between parties.
10. Across the current MTFS – rental income generation and possible commercial opportunities have been profiled as below:

	CY	2022/23	2023/24	2024/25	2025/26
Rental Income	£0	-£170,000	-£600,000	-£780,000	-£1,380,000
Commercial Opportunities	£0	-£50,000	-£100,000	-£100,000	-£100,000

Over the next 8 years, up to £8.5m rental income will be generated based on sustaining this level of income.

11. There is expected to be further scope to increase the rental income beyond current estimates once we have embedded fully the new office models and ways of working across County Council services.

12. Work is also underway to explore opportunities for commercialisation of areas of the County Hall campus to further generate income – these are in the early stages of discovery and primarily focus on areas of the county hall campus being used for the purpose of events. These will be reported back to the relevant forums as they are shaped.

### **Reduction in building operating costs**

13. In light of increased remote and flexible working, consideration has been given to those premises which the Council currently leases around the County and whether these are still required and will meet the future needs and ways of working arrangements. As a result, the below exits have been progressed:
- a. Exit from existing buildings that are no longer required:-
- i. Pennine House – vacated leased office space in July 2021 generating £159,000 per annum savings from 2022/23
  - ii. Melton Parkside – vacated leased office space in December 2021 generating £178,000 per annum savings from 2022/23. Arrangements for Registrars and weddings continues and payments for those will continue to be made.
14. Further savings of around £294,000 per annum have been estimated from 2024/25 through renegotiation of existing tenancy agreements. This is, however, subject to discussion and clarifying staff requirements as the roll out of the ways of working programme progresses. Additional costs will be required at other sites to accommodate increased staffing which slightly offset the below savings (£70,000).
15. Across the current MTFS – net cost reductions have been profiled as below:

	CY	2022/23	2023/24	2024/25	2025/26
Building Operating Cost Reductions	-£97,537	-£366,000	-£486,000	-£561,000	-£561,000

Over the next 8 years, up to £4.2m net savings has been projected based on sustaining the above, with further scope to increase this beyond current estimates.

### **Operational Savings**

16. As Covid restrictions have been easing and services have begun a return to a new normal, business travel rates, which had plummeted across the lockdown period, have been increasing but have stabilised at around 50% of previous levels. Based on projections, this represents a potential future annual savings of between £600,000 and £1.2m. This is not currently incorporated in the 2022-26 MTFS. Business travel rates will be monitored quarterly and a full picture of the anticipated savings from business travel will be quantified early 2023.

## Capital Receipts

17. Disposal of a locality site is planned which will generate a capital receipt of £800,000 from 2023/24. Current occupiers will be engaged in this process at the appropriate time.

## Investment Costs

18. There are a number of one-off costs that have been included within the MTFS to enable the successful delivery of the savings. These include:-
- Investment in staff resources to deliver the changes required
  - Cost of dilapidations and refurbs to enable building exit and make fit for purpose to rent to future tenants
  - Investment in our future office model to enable successful hybrid working for LCC Staff

These costs total £4.5m are summarised below:

	CY	2022/23	2023/24	2024/25	2025/26
Staff Implementation Costs	£393,178	£305,501	£16,284	£0	£0
Dilapidation & Refurbishment Costs	£674,000	£700,000	£210,000	£400,000	£0
Future Office Model Changes	£466,000	£1,084,000	£250,000	£0	£0
<b>One-Off Investment</b>	<b>£1,533,178</b>	<b>£2,089,501</b>	<b>£476,284</b>	<b>£400,000</b>	<b>£0</b>

19. As well as one-off costs, some ongoing costs will be incurred to accommodate the IT move from a mixed economy to a fully laptop estate and increased staffing in order to maintain this. These costs are outlined in the table below:

	CY	2022/23	2023/24	2024/25	2025/26
Remote Access, Mobile Phones & Peripherals	£340,542	£86,650	£127,716	£188,335	£69,877
Staff IT Costs	£113,706	£272,894	£272,894	£272,894	£272,894
<b>On-going Costs</b>	<b>£454,247</b>	<b>£359,543</b>	<b>£400,609</b>	<b>£461,228</b>	<b>£342,771</b>

## Overall Impact

20. Taking into account investment in resources and implementation costs the overall programme impact from a financial perspective is presented below.

	CY	2022/23	2023/24	2024/25	2025/26	TOTAL
<b>Investment Costs</b>						
Staff Implementation Costs	£393,178	£305,501	£16,284	£0	£0	£714,963
Dilapidation & Refurbishment Costs	£674,000	£700,000	£210,000	£400,000	£0	£1,984,000
Future Office Model Changes	£466,000	£1,084,000	£250,000	£0	£0	£1,800,000
<b>Total Investment Costs</b>	<b>£1,533,178</b>	<b>£2,089,501</b>	<b>£476,284</b>	<b>£400,000</b>	<b>£0</b>	<b>£4,498,963</b>
Capital Receipts	£0	£0	-£800,000	£0	£0	-£800,000
<b>Net Investment Cost</b>	<b>£1,533,178</b>	<b>£2,089,501</b>	<b>-£323,716</b>	<b>£400,000</b>	<b>£0</b>	<b>£3,698,963</b>

	CY	2022/23	2023/24	2024/25	2025/26
<b>On-going Costs</b>					
Remote Access, Mobile Phones & Peripherals	£340,542	£86,650	£127,716	£188,335	£69,877
Staff IT Costs	£113,706	£272,894	£272,894	£272,894	£272,894
Total Ongoing Costs	£454,247	£359,543	£400,609	£461,228	£342,771
<b>On-going Savings</b>					
Rental Income	£0	-£170,000	-£600,000	-£780,000	-£1,380,000
Commercial Opportunities	£0	-£50,000	-£100,000	-£100,000	-£100,000
Building Operating Cost Reductions	-£97,537	-£366,000	-£486,000	-£561,000	-£561,000
<b>Total On-going Savings</b>	<b>-£97,537</b>	<b>-£586,000</b>	<b>-£1,186,000</b>	<b>-£1,441,000</b>	<b>-£2,041,000</b>
<b>Net On-going Costs / Savings (-)</b>	<b>£356,710</b>	<b>-£226,457</b>	<b>-£785,391</b>	<b>-£979,772</b>	<b>-£1,698,229</b>
<b>MTFS Savings Target by 2025/26</b>					<b>-£1,695,000</b>

21. Net savings over a 5 year period amount to £3.3m. The payback period for the investment is currently 5.2 years. Further opportunities for financial savings exist above and beyond those outlined including operational costs e.g. printing, commercial income and business travel savings, and the ability to generate further rental income beyond those included once the organisations ways of working are embedded and space requirements are fully realised.

### **Governance**

22. The delivery of the financial benefits of the Programme are tracked and governed under the ways of working programme governance structure overseen by the Ways of Working Programme Board. This consists of senior officers across support services chaired by the Assistant Director (Corporate Services). Key decisions, outputs and updates are regularly shared, and consulted on by various relevant groups including the Employee Committee, Trade Unions, and department management teams.

### **Engagement**

23. There has been significant internal engagement with Council staff and managers both before Covid-19 and during the pandemic and this has shaped the Programme and its delivery.
24. A cross party Members' Working Party was established in 2020 which provided input into the Council's Covid response and recovery plans. This heavily shaped the ways of working programme including supporting staff with working from home, and the Council's stance and communications in relation to the changing guidance from central government throughout the COVID-19 pandemic.

### **Resource Implications**

25. The net cost of implementation of the Programme is projected to be £4m over 8 years which has been included within the MTFS on a spend to save basis.
26. All resource requirements have been confirmed by the relevant services and the above has been included and approved by the Director of Corporate Resources through approval of the Programme.

**Key Risks**

27. If Managers and staff do not adapt to and fully embrace new ways of working and revert to old ways then we will struggle to deliver the benefits of the programme. Significant investment in resourcing to deliver future office model and critical culture change support will provide mitigation for this and enable savings to be delivered.
28. Lack of interest in rental/partnership working may prevent space utilisation and income generation outlined above. Income has been profiled based on degree of confidence, and significant interest has been expressed to date giving confidence this is achievable.

**Timetable for Decisions**

29. The Programme will be monitored at officer level by the Ways of Working Programme Board and by members through the Employment Committee as appropriate. Delivery of the financial savings will also form part of the usual MTFS monitoring reports presented to the Scrutiny Commission on a quarterly basis.

**Equality and Human Rights Implications**

30. An EHRIA was completed in 2019, as well as a refreshed version during 2020 as staff were working at home during the pandemic. A full EHRIA has been completed for current office exits/change to staff base locations across 2 offices to date as part of the programme – Pennine and Parkside.
31. It is the intention to undertake a full EHRIA in line with changes made to each of our main workplace/office locations.

**Background papers**

Report to the Employment Committee – Ways of Working Update – 2<sup>nd</sup> December 2021  
<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=212&MId=6349&Ver=4>

Report to the County Council – Medium Term Financial Strategy 2022/23 – 2025/26 – 23<sup>rd</sup> February 2022  
<https://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=6481&Ver=4>

**Circulation under the Local Issues Alert Procedure**

None.

**Officer(s) to Contact**

Gordon McFarlane  
 Assistant Director – Corporate Services  
 Tel: 0116 305 6123 Email: [Gordon.McFarlane@leics.gov.uk](mailto:Gordon.McFarlane@leics.gov.uk)

David Scott  
 Transformation Change Lead  
 Tel: 0116 305 0178 Email: [David.Scott@leics.gov.uk](mailto:David.Scott@leics.gov.uk)