



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Council

26 May 2022

Report of: Councillor Kelham Cooke
The Leader of the Council



Future ways of working and making the best use of corporate assets

In line with most local authorities, the Council faces a need to work differently in the post-COVID environment, whilst mitigating ongoing medium-term financial pressures. This report provides the Council with a summary of issues relating to office accommodation and the opportunities for new ways of working to better meet the needs of the council.

Report Authors

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Corporate Priority:	Decision type:	Wards:
A High Performing Council	Key	N/A
Reviewed by:	Alan Robinson, Deputy Chief Executive	18 May 2022
Approved by:	Karen Bradford, Chief Executive	18 May 2022
Signed off by:	Councillor Kelham Cooke, The Leader of the Council	18 May 2022

Recommendations to the decision makers

It is recommended that Council:

- Approves a budget allocation of up to £500k to be funded from the Invest to Save Reserve in order to re-locate the administrative offices to the first-floor office space above the Cinema Complex St Catherine's Road Grantham.**

1 Background

- 1.1 The key ambitions of the Council are defined by delivery of the Corporate Plan (2020 to 2023). Delivery of the Corporate Plan requires the Council to continue its journey of successful workforce cultural change, to be a competitive employer of choice making maximum use of technology to obtain value for money and supporting a workforce able to work flexibly to support all residents and service users.
- 1.2 Over the past few years, we have seen a major change in the style of working in our office bases. The Council has several change programmes to drive both performance improvements and savings. Reducing the amount of office space by introducing mobile technology and more flexible ways of working is an organisation-wide change programme. We have already seen work settings updated and the deployment of new technology to support a more flexible style of working. The main Council office location at St Peter's Hill Grantham is an ageing asset with inadequate facilities that now require significant investment to provide modern, good quality, adaptable and flexible workspaces.
- 1.3 An asset review has identified other locations in the vicinity of St Peter's Hill are currently underutilised. This provides a unique opportunity to rationalise the Council's operations against the backdrop of continued financial challenges and to reflect the significant change in working practices accelerated by the COVID-19 pandemic. The change to a mix of home and office-based working means for the Council to continue to be an employer of choice in a competitive employment market, offering attractive work/life balance and decent office accommodation is increasingly important.
- 1.4 The delivery of these ambitions is subject to several drivers and constraints, including:
- a) Ensuring the office accommodation provides opportunity for collaboration and engagement across teams, removing physical barriers that can reinforce "silo" working, and supporting the cultural and technological changes that are now being embedded;
 - b) Taking a "best value" approach, seeking to reduce costs, and supporting the Council's Medium Term Financial Plan;
 - c) Providing office accommodation that means members of #TeamSK feel valued and supports them to deliver improved performance;
 - d) Continuing to support a vibrant town centre in Grantham; and
 - e) Contributing to the Council's ambition to reduce its carbon footprint.
- 1.5 As the owner of several assets in Grantham's Cultural Quarter (that incorporates the St Peter's Hill location), the Council is in a good position to realise the delivery of the ambitions. Accordingly, the remainder of this report provides a summary of:
- the assets and financial position;
 - future ways of working; and
 - the opportunities, options and risks that are presented at this crucial post-pandemic time.

2 Current Office accommodation

- 2.1 The Council's asset base around the St Peter's Hill and SK House complex is summarised as follows (and shown at Appendix A):

2.2 St Peter's Hill Main Offices

- (a) Significant parts of the building are of poor quality and in need of considerable investment
- (b) Ongoing £400k annual running costs (which includes business rates)
- (c) Physical barriers that prevent cultural change and improvements
- (d) Several elements of the asset are beyond their operational life and require either replacing or refitting. Maximum refit costs to address structural and major component issues is £3.2m:
 - (i) Structural (strip out, new roofing, windows, heating) £2m
 - (ii) Refit (flooring, sanitary, cabling etc) £1.2m
- (e) The Office is in a good, town-centre location that can provide a development opportunity with potential for conversion or demolition and the creation of dwellings to support a vibrant town centre.

2.3 SK House

- (a) Elected Member space and democratic centre
- (b) Under-utilisation of space (spare offices, several vacant rooms)
- (c) Potential to improve and use meeting room space

2.4 Guildhall Arts Centre

- (a) Small number of underused meeting rooms and office space
- (b) Recently vacated space following Citizens Advice Bureau relocation

2.5 Cinema Complex (A3 units)

- (a) Two A3 leisure units (structural and foundation work/first fix only). These have been vacant since 2019. Given the impact on the leisure sector through the pandemic, it is unlikely tenants will be forthcoming for these units
- (b) Potential location for a Customer Access Point that hosts a new Customer Service Centre supported by other customer-facing public sector agencies
- (c) Fit out costs to be developed depending upon the final specification and joint use with partners
- (d) Option to provide a small training suite for potential use by third parties

2.6 Offices above Cinema Complex (First Floor)

- (a) This newly provided modern work space has been unoccupied since 2019 when the intended occupier stated their intention to pursue a different educational offer. InvestSK Ltd sought expert commercial property advice which confirms there is little demand for office space of the size available in the centre of Grantham, with any rental levels that may be obtained, being low
- (b) The space can accommodate over 100 workstations
- (c) Estimated (up to) £500k one-off fit out costs includes:
 - (i) Mechanical/Electrical £85k
 - (ii) Partitions/ceilings/flooring £40k
 - (iii) Furnishings £130k
 - (iv) Information and communications technology (ICT) £120k – provision of new server room and back-up arrangements
 - (v) Contingency and other anticipated costs £125k

- (d) Annual operating costs projected at £100k, including business rates which are significantly lower than St Peter's Hill offices due to smaller footprint
- (e) Modern open plan offices

2.7 St Catherine's Road cleared site to the rear of the Cinema complex

- (a) Potential development site to the rear of the Cinema building which could be included as an option into the disposal of St Peter's Hill offices to make it more attractive to the market.

3 Financial Position

- 3.1** The Medium-Term Financial Plan sets out a challenging financial outlook with emerging budgetary pressures from 2023/24 due to the uncertainty surrounding changes to the funding formula for local government. This financial challenge is further exacerbated by the need to undertake borrowing to fund significant amounts of capital expenditure for Council assets.
- 3.2** Against this context, there is a need to identify ways of reducing operating expenditure, maximise the utilisation of assets and remove unnecessary costs and ensure value for money is being achieved. The current asset estate around the St Peter's Hill area identified in the report incorporates a significant amount of annual revenue costs and in some cases where there is little or no return to the Council. This includes the incurring of annual costs including business rates at the vacant A3 units and the vacant office space at the first floor of the cinema complex.
- 3.3** The proposal provides an opportunity to maximise the use of the vacant space and eliminate the significant annual costs that are being incurred at the present administrative office location. The projected saving per annum is circa £300k per annum which will make a significant contribution towards reducing the Council's projected deficit. Should the funding to facilitate the move be approved, then the current office location will be sold thereby generating a significant capital receipt to the Council.
- 3.4** This proposal also opens opportunities to provide a modern and flexible working environment and maximise the use of other locations in the vicinity including SK House and underutilised space at the Guildhall Arts Centre. There is also the opportunity to bring forward proposals to develop a Customer Service Hub at the ground floor which will provide an opportunity for public and third sector organisations to come together to provide customer facing services whilst sharing costs.

4 Future ways of working

- 4.1** The management team recognise that there is a need to improve the culture of the SK work force. The latest staff survey carried out in December 2021 showed that only 32% of staff felt morale was generally good at South Kesteven District Council. The morale of staff is of vital importance, as it impacts on productivity, retention and mental health. In 2021/2022 there were 1,651 working days lost due to mental health issues. The working environment can have a positive impact on morale.
- 4.2** The staff survey raised the issue of departments working in silos and not always working in a "one council" manner. Fewer than half (49%) of those who completed the survey felt that their services worked well with their team. This sense of silo working was also included in the findings of the Local Government Association (LGA) Peer Review. The current St Peter's Hill accommodation is made up cellular offices (i.e. small, individual rooms) that do

not encourage cross-departmental communication and working. There are many examples of this issue being improved by changes to more modern buildings with flexible accommodation and shared areas.

4.3 During the pandemic most staff have been able to work from home. Post pandemic, the plan is to determine where people work, based on three priorities:

- **The Business Comes First** – no matter how the services are delivered, the first consideration must be the needs of the business. Managers need to consider the best way to provide the service and ensure - our customers receive quality value for money services. These business needs must be at the centre of decision making.
- **Individual Requirements** – there are some individuals whose situations make working from home challenging. These include but are not exclusive to family considerations, appropriate accommodation, mental health issues and IT connection problems. Managers may want to consider making reasonable adjustments to the working arrangements for some individuals because of these factors.
- **Personal preference** – managers should consider the personal preferences of their teams. These should only be accommodated where they are consistent with the first two priorities.

4.4 Many managers and staff believe that a blended approach of home and office work would be the most effective, and this view is shared across the Local Government Sector. The staff survey shows a 10% increase in satisfaction in the working environment at a time when people were not working in the office. This means that the requirement for office space for desks can be reduced allowing for a rationalisation of the amount of accommodation. Analysis shows that, even prior to the COVID-19 pandemic, St Peter’s Hill was underoccupied, with a significant number of desks unused for large proportions of the working day, showing potential to move to an agile “hot-desking” culture.

4.5 The importance of in-person contact is recognised, and it is anticipated that this will be focused on creative work, collaboration and meetings. A more flexible workspace which encourages interaction and creativity, must be a consideration.

5 Opportunities, Options and Risks

5.1 Against the context of the Corporate Plan, the financial position and corporate ambitions around the accommodation offer to employees, the Council has several options to enable the delivery of successful outcomes. For ease, these options are summarised in the following table:

Option		Detail	Pros	Cons	Risks
1 No change	1	Remain as pre-pandemic and reoccupy offices i.e. no change	Immediate	Office accommodation not fit for purpose Significant day-to-day running costs	Failure of property component that is beyond effective lifespan (eg heating) Failure to provide decent office accommodation impacts workforce and service delivery

2 Modernise St Peter's Hill	2a	Remodel and refit St Peter's Hill and move back	Established base	Limitations of structure and build type Refit costs Does not resolve vacant space in the Cinema Building	Overprovision of office accommodation increases running costs
	2b	Let vacant space in the Cinema Building	Provides income	Uncertain demand for office space/leisure units of that size	Lack of interest
3 Relocate from St Peter's Hill	3a	Fit out the vacant space in the Cinema Building and occupy	Modern building with scope for changes Reduced running costs	Costs Need temporary Customer Service provision	Building material inflation makes costing subject to change
	3b	If relocating, re-let St Peters Hill	Retain asset and generate income	Uncertain demand for office space of that size Unlettable in current layout and condition	The Council would be impacted by paying NNDR on a vacant asset
	3c	If relocating, dispose of St Peter's Hill	Generate capital receipt Private sector interest		Lack of interest

6 Consultation and Feedback Received, Including Overview and Scrutiny

6.1 No formal consultation has been undertaken, although informal viewings of the first-floor space and St Peter's Hill offices have been undertaken by Members, Trade Unions and employees (from across the Council).

7 Available Options Considered

7.1 *Option One* - Continue with current use of offices and attempt to let the vacant space and units in the Cinema Building.

7.2 *Option Two* – Continue with current use of offices, remodel and refurbish St Peter's Hill, and attempt to let the vacant space/units in the Cinema Building.

7.3 *Option Three* - Remodel the first floor and vacant units in the Cinema building and occupy, allowing the disposal of St Peter's Hill and St Catherine's Road assets.

8 Preferred Option

8.1 Local Government, like many organisations must now be able to adapt their operational and customer services at unprecedented pace. Whilst all three options detailed under section seven are viable, option three remains the preference because it enables the Council to respond better and faster and become more adaptable and thrive in the face of constant change.

8.2 This option is reasonable in the context of the current challenges the Council faces in meeting its statutory responsibilities.

9 Reasons for the Recommendations

9.1 It is clear from the report's findings that some options are simply not viable due to cost or time implications, whilst others are not in the public interest.

10 Next Steps – Communication and Implementation of the Decision

10.1 Not applicable

11 Financial Implications

11.1 The report sets out an opportunity to maximise the use of the Council's assets and develop a new operating model that will generate annual cashable savings and therefore make a significant contribution to reducing the forecast deficit. This proposal also sets out an opportunity to generate a significant capital receipt following on from the identification and disposal of a surplus asset. There will be a requirement to provide one-off funding in order to make the necessary changes to the vacant offices in order for it to become a flexible agile space for the Council. However it is expected that the outlay can be recouped within 20 months.

Financial Implications reviewed by: Richard Wyles, Chief Finance Officer

12 Legal and Governance Implications

12.1 This report follows a compliant decision-making route and is in accordance with the requirements of the constitution. Legal support will be required for the disposal and any conveyancing necessary as a result of St Peter's Hill being found to be surplus to requirements.

12.2 Legal Implications reviewed by: **Alan Robinson, Monitoring Officer**

13 Equality and Safeguarding Implications

13.1 South Kesteven District Council signed up to the national Local Authority Mental Health Challenge as a public commitment to supporting residents' wellbeing and wellness. A significant number of employees have felt more anxious and isolated than ever due to lockdown. Many have admitted to struggling with their mental health more than usual in recent months. A return to the daily commute lacks appeals to those who have had the flexibility of home working, a balance between the two is the logical solution, with a mix of office and homeworking favoured by the vast number of employees.

13.2 It is widely reported that communities have been massively affected by the drop in footfall of office workers' spending. Whilst it is acknowledged that some people do not want to return to their traditional commutes, placing office spaces near local high streets where people are living as well as working, helps to revitalise localities, as this places office workers amongst other businesses that rely on their trade.

13.3 Whilst there are no direct safeguarding implications associated with the content of this report, the provision of more modern accommodation is likely to assist members of the team with mobility issues by reducing the number of floors and doorways in the office space. Similarly, any design of the Council's Customer Service Centre will provide opportunity to ensure there are no barriers to members of the public in terms of service provision.

14 Risk and Mitigation

- 14.1** A common and significant risk element to all scenarios is the need to consider and limit the timescales to implementation. This is a critical issue to decision making, as it impacts on several necessary financial and economic assessments.

15 Community Safety Implications

- 15.1** There are no identified community safety implications associated with the content of this report. However, whichever building the Council operates from, the authority would continue to take appropriate steps to ensure the safety of those visiting to ensure they are aware of all safety measures in place.

16 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

- 16.1** As an older building, the St Peter's Hill offices provide limited scope for improved energy efficiency without considerable retrofitting investment. The newer cinema complex is built to modern standards with more efficient heating and ventilation and represents a significant improvement on the existing St Peter's Hill office accommodation and will contribute positively to the Council's Climate Change and Carbon Reduction Plans.
- 16.2** Supporting a shift to flexible working generally sees a reduction in home-to-work mileage that contributes to a reduced carbon footprint.

17 Other Implications (where significant)

- 17.1** None identified

18 Background Papers

- 18.1** None

19 Appendices

- 19.1** Appendix A – Site plan