

Optimising space and place

How the new work landscape can drive local change

2021



Optimising space and place



County Councils Network (CCN) Business Partner Grant Thornton UK LLP held a roundtable with senior officers from county authorities to discuss the impact of the COVID-19 pandemic on the future ways of working and how this could affect county authority office footprints and local places. The roundtable was held in April 2021.

Scene setting

It is largely established that remote working is a successful experiment, and that many staff seek to spend at least part of the week away from the office. However, numerous studies have confirmed that the office is not dead, but is a vital place for civic function; for collaboration between teams and with residents; and to develop younger employees within the council.

Based on Local Government Association surveys, councils expect to need less office space, driven partly by some staff reductions and partly through a move to hybrid or flex working. But achieving this poses an issue for some councils, where council office footprint is either owned or held under a long term, rigid Private Finance Initiative (PFI) or Public Private Partnership (PPP) contract which will limit its ability to reduce space or adapt it to new working models.

Meanwhile, remote and hybrid working is having an impact on the places where residents live, and now, increasingly, where they work. In one sense, this is good for councils – satisfaction by residents with local councils is at a high level. However, the impact of the pandemic on the high street, and the future reduction by organizations of regional space is having an impact both on place and on future income streams.

So, how can local authorities manage this impact? Reducing the size of the council office footprint is an obvious answer, and we're seeing organisations in the private and public sector build space reduction strategies to reduce space by between 45% and 75% - with a similar consequent reduction in outgoings.

Surrendering leased footprint to redirect expense revenues could enable councils to make savings without selling or sub-letting owned space or entering into difficult discussions with Special Purpose Vehicle (SPV) around PFI contracts. Interrogating and resetting supply contracts and relationships through a structured contract assurance programme has also yielded significant returns for our public sector clients.

But there is also a wider conversation to have between councils, landlords and corporate tenants to control the blight on local place as offices and retail units are vacated. Local independent collaborative workplace providers are working with other retailers along the high street to offer affordable coworking space in vacant units. On a larger scale, we witness the approach taken by John Lewis and other operators to repurpose their larger outlets; and private developers like Edaroth and Plus X are converting dilapidated spaces into homes and innovation hubs for small businesses.

What are we seeing within county authorities



Remote working is a success and staff seek to work at least part of the week away from the office.

Some councils will reduce staff¹, the office footprint will reduce and flex-working will increase².

Long term rigid PFI and PPP contracts may not be suited to new working models.

Residents have rediscovered place and satisfaction with local councils at high level³.

Authorities fear impact of business reduction and high street closures on place and future income.

¹ "COVID-19 Workforce Survey" – LGA (27 November 2020)

² "COVID-19 Workforce Survey" – LGA (28 July 2020)

³ "Polling on resident satisfaction with councils" – LGA (June 2020)

Here are the key themes that came out of the discussion:

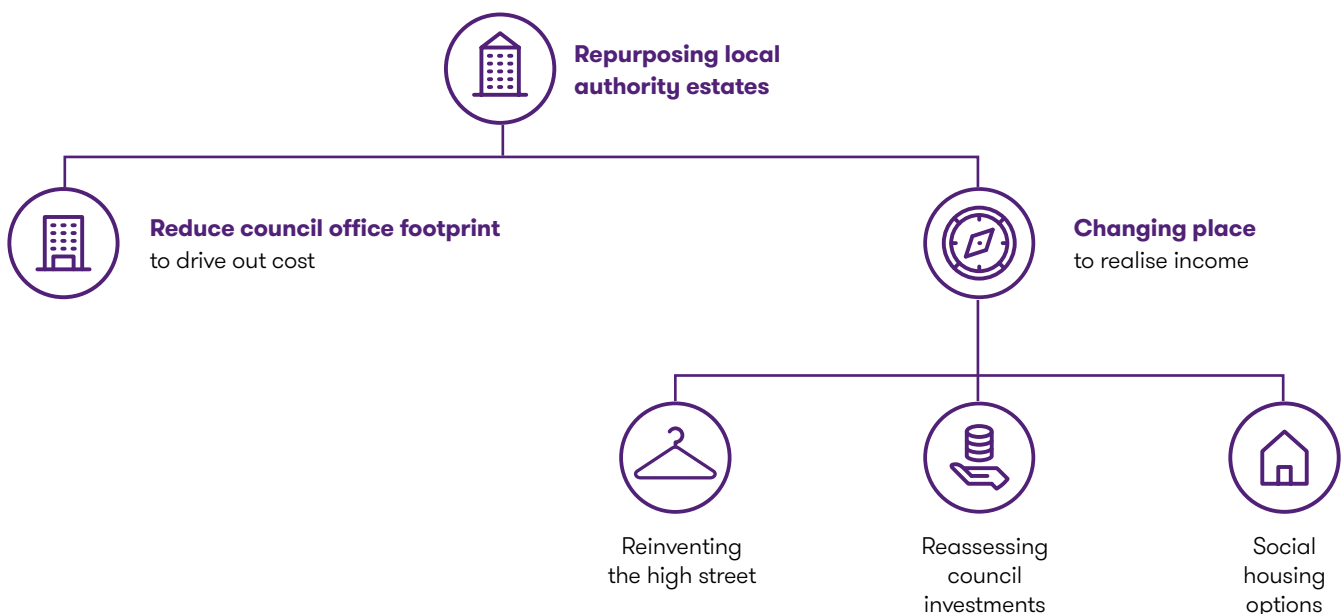
Space

Reassessing the council office footprint

- Residents have responded positively to the provision of services digitally, and county authorities are likely to retain many of these channel shifts. In some cases, face to face interaction with residents is essential but, where it is practical many county authorities have or are considering adopting a “digital first” approach.
- County authority employees have adapted well to working from home. Indeed, some are reluctant to return to the office, although others have missed the creativity, conversations and mentoring that occurs in an office environment. As with many organisations, county authorities are likely to adopt a blended, or hybrid, working solution, mixing working from home with meeting colleagues in the office, with one county authority expecting employees to spend 65% to 70% of the time working remotely.
- The pre-pandemic culture of meetings has now transferred to online meeting and working, and county authorities agree that this has become more efficient and inclusive. Under a hybrid solution, with staff both at the office and in remote places, some new approaches to meeting and working together are needed, but as yet there is no one prominent technology or accepted etiquette to deal with this.
- While there is an overall expectation that county authority offices will alter in the future – both in size and layout – most agreed that there was no haste to make changes, but rather adopt a “wait and see” approach before making decisions.
- For some, change will be difficult. One county authority reported that it had difficulty encouraging staff to adopt agile working pre-pandemic, with employees showing a high level of presenteeism and an expectation to work at dedicated desks. Many county authority properties are owned or let on long term leases with infrequent break options. Some of these options are very close, requiring complicated but rapid change if county authorities are to avoid another long-term commitment.
- Our roundtable was held one day before Earth Day, and several delegates outlined the environmental benefits of remote working. As well as reducing a county authority’s carbon footprint by reducing the amount of occupied office space it holds, individual employees can contribute by lowering the commuting necessary for their job, especially in geographically large county authorities. One county authority pointed out that, pre-pandemic, it would not be uncommon for members to be travelling over an hour for a 30-minute face-to-face meeting.
- Regarding the impact upon local place, another county authority struck a note of caution about the importance of surplus county authority facilities during the pandemic, which had been repurposed for testing, vaccination and distribution centres. Without these resources the county authority would have been open to the cost of additional leased space or sequestering other service buildings to fulfil this need.

Opportunities

Free up revenue and create new income



So, what does this mean for county authorities and the places they serve?

- The need to use space differently came out of the blue following COVID-19, and digital transformation was given significant impetus, but county authorities now need to find a solution that captures the learning from the pandemic in the design of future service delivery.
- The expectation remains that face-to-face interaction with residents will continue – it is vital for some services – but it is equally important to maintain the enhanced efficiency of digital communication and engagement to deliver services. This does not mean an automatic default to digital, but recognising the power of this technology, investing in it and contributing to its development will be critical components for county authority efficiency in the future.
- Absence makes the heart grow fonder. Organisations now have a greater understanding of the innovation, power and creativity of colleagues being physically together; a larger respect for teams and team members; and recognise that the value of this can be higher than that of the cost of an office lease. The challenge will be to find balance: the right blend of workplace, remote and home working that works for all without harming the complex diversity of services provided by a local authority.
- But walk, don't run. Rushing into decisions carries risk; so county authorities need to assess what their people are doing (as well as those from other organisations) to build the evidence and understanding of what works well and where the barriers may lie. Having the right tools, systems and enablers in place to create an agile office and a hybrid working model requires investment (workplace monitoring; space booking systems; redesign or reconfiguration) which needs careful planning and full consultation with all stakeholders.
- A single public estate can have a part to play in this. Working collaboratively with other tiers of local and central government as well as the NHS and other public bodies will deliver benefits beyond single bodies trying to respond to this challenge alone.

Place

Revitalising a local economy

So much for the county authority footprint, but how can we address the impact of shrinking and closing businesses on local place? What do we do with all that anticipated surplus space?

- County authorities need to focus on how they stimulate local place and economic activities within it, to encourage people to leave their home office. County authorities have a part to play in creating conditions for assets to be (re)used and for people to want to use them.
- Who are future occupiers? What is the new strategy behind the high street? Are county authorities targeting traditional blue-chip tenants, or are they beginning to search for, recognise and work with the new, home grown tenants and traders to counteract the decline of the high street, where the focus is ambience, experience, community and connection?
- An example: To fill a gap along a suburban or town high street, local retailers might work with a local authority and landlord to repurpose a unit into coworking space. Everyone wins: the landlord fills a void; the community are drawn to an alternative place to work, concierged by

a local resident with strong community ties; and retailers capture new footfall for goods and services. We have also seen a medium-sized supermarket unit repurposed into a community library, stocked with materials and resources upcycled by residents.

- Kickstarting this requires investment and re-organisation of whole classes of assets. Shopping centres and libraries have long been regarded as dilapidated and difficult assets, but with a migration of the workforce from central to local, they now present a great opportunity to combine and consolidate assets as multi-faceted and multi-purpose.

All this needs clarity of vision, tested hypotheses and a careful approach. But it points to a gradual but locally driven regeneration in the year ahead as we slowly start to exit lockdown and enter a new, and very different, normal.



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