

[i] Insight *Briefing*

The changing role of buildings in the UK public sector and the growth of agile workplaces





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|--|----|
| Foreword by Kelvin Bromley | 4 |
| Forces for change | 5 |
| The unique challenges facing the public sector | 7 |
| The response of local and central government | 8 |
| The key features of an agile workplace | 12 |
| Conclusions | 13 |

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Foreword



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Over the past few years, the UK's public sector has been going through a revolution in the way that it works. Not only have the country's public bodies had to cope with the same accelerated pace of change common to all other types of organisation, they have had to move quickly to adapt to specific structural changes that have been introduced as the Government has imposed tighter budgets and asked them to work in new ways.

These changes have re-shaped every aspect of the way they think and function. From the way they provide services to the way they recruit and retain staff. From the way they manage information to the way they use technology. From how they work to where they work.

At the heart of many these changes lies the workplace. Typically the office is the second most valuable and expensive asset that public sector organisations possess. Furthermore, the workplace has potentially the greatest influence upon the organisation's greatest asset, namely it's people. So it has naturally become a focus for change as organisations have sought to maximise their assets and reduce spending. Not only have they developed a greater focus on the efficiency of the space they

occupy, they've also become increasingly aware of its effectiveness as a way of conveying an image, helping to recruit and retain staff, helping the business to anticipate future change and introduce new, agile forms of work. Perhaps most significantly, there is the realisation that when the working environment is planned effectively and furnished with products that support specific ways of working, those working within become more

engaged and more productive.

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and management of their estates. The past few years have challenged that viewpoint and it is now frequently the public sector that is most proactive in pioneering new ways of working and new strategies for their properties. It is doing so across a vast estate and in ways that mirror trends such as agile working and co-working, most commonly associated with 21st Century sectors such as tech and media.

In this white paper we look at the key drivers of these changes and look at the programmes of design and management that have forged a new era in the way people work in the public sector.

The key drivers of change

Austerity remains the main driving force

Given the sheer scale and complexity of the public sector estate (see right), it's no surprise that a Government setting out on a programme of austerity should earmark it both for cost cutting and reform. As is also the case in the public sector, the two often go hand in hand. Agile working is not only driven by a desire to cut costs through the greater utilisation of shared space and flexible working cultures. There are other business benefits associated with agile working including increased productivity, better work-life balance, improved recruitment and retention of key employees and the introduction of more collaborative forms of work.

The Cabinet Office has perhaps been the driving force behind this new era, challenging central and local government departments to completely reconsider the way they use their buildings. Austerity in the wake of the last recession has proved to be a catalyst in the way the UK public sector uses office design as an agent of change. It's probably true that without the recession many of the changes in the way people work, and hence the way they use buildings would have happened organically any way. What is more

doubtful is that the public sector would have emerged as the great innovator that it has over the last few years.

Public sector staff are pushing for agile working

The forces for the creation of workplace transformation and agile working environments are not just coming from the top down. There is also a grassroots support for the aims of these programmes as people come to expect modern working cultures.

As it is for all organisations, this is not just a matter of looking for best value from property but is also a key way of motivating, recruiting and retaining staff.

For example, according to a recent study by the Royal Institute of Chartered Surveyors (RICS), employees within UK local authorities are frustrated at their poor quality working environments and councils are suffering as a result. Over two thirds of public sector employees polled for the report claim their workplaces need to be upgraded and nearly all said they take the standard of workplace into account when deciding where to work. Furthermore, 80 percent of current employees claim they take the standard of working environment



The size and complexity of the UK Public Sector Estate

Central Government

6,000+ Buildings – 10 million sq.m
Annual running costs – £2.8 billion

Local Government

Over 180,000 buildings
Value £250 billion
Annual running costs – £25 billion

Note: excludes education and healthcare sectors



into account when making decisions about whether to remain in their current role.

Growing awareness of a broad range of benefits

There are numerous benefits associated with workplace transformation. According to a study by room booking specialists Condeco, the majority of local government buildings operate with a desk occupancy rate of just 45 per cent and a meeting room occupancy rate of 60 per cent. On any given day there can be as many as 297,000 empty desks and countless amounts of under-utilised meeting and conference rooms in local authorities across England alone.

According to research from the Chartered Institute for Personnel and Development (CIPD), agile working leads to both direct and indirect business benefits. The direct business benefits are associated with the savings on real estate facilitated by the

technology advances that allow remote working and shared space. Flexible and agile working practices also allows the organisation to better match its resources with the demand for services and the needs of employees.

Indirect business benefits are achieved through an improved employee psychological contract. An employee survey carried out for CIPD by Kingston University/ Ipsos MORI found that 'workers on flexible contracts tend to be more emotionally engaged, more satisfied with their work, more likely to speak positively about their organisation and less likely to quit'.

Flexible working options can also be attractive for new talent and as a way of retaining existing staff, especially as employee expectations change with regard to their jobs, careers and work-life balance, and demographic changes affect employees' needs to balance their job with other responsibilities such as caring.

Above: The award winning offices of Wiltshire County Council in Trowbridge, designed by Stride Treglown. ©Stride Treglown

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The unique challenges of the public sector

The complexity of the public sector estate

Not only is the public sector estate large (see box on page 4), it is also very complex. In both local and central government, around half of the building stock is over thirty years old, which not only makes it costly to maintain (around 1.5 percent of all Government spending goes on this) but also may be at odds with the needs of a modern organisational structure based on agile working models.

Design is one way of resolving this conundrum, but so too is the consolidation of buildings and - where appropriate - the creation of new buildings.

The way organisations use technology

The public sector continues to lag behind the private sector in the way workers use technology according to a 2015 report from O2 and YouGov. The headline

figure from the report is that by failing to embrace new ways of working, Britain's organisations across all sectors could be missing out on a saving of 6.6 million hours and £1.6 billion each week. The report argues that the use of technology to create more flexible working practices could be a major driver of organisational savings and increased productivity. Companies 'challenging the norm' of the working day by maximising the benefits of technology are enjoying greater business efficiency with devices alone saving businesses 9.4 million hours and £2.2 billion per week.

The study claims that just under half of workers would like to adopt more flexible working practices but are held back because many employers lack the kind of integrated digital strategy needed to make it work to its potential. The private sector has a clear lead in this regard with 55 percent of commercial managers who responded to the survey saying they had an integrated digital strategy compared to just 42 percent in the public sector.

Cultural and structural challenges

When it comes to the difficult process of aligning an organisational strategy with an estates strategy that embraces agile working and other forms of cultural, managerial and technological change, public sector organisations share many of the same challenges with their private sector contemporaries.

The most commonly cited barriers to the implementation of agile working practices across all sectors were explored in a 2014 paper from the CIPD (see below). While the main barriers to the uptake of agile working were reported fairly consistently across all sectors, it is noticeable that the public sector is more concerned that it is seen to be treating people fairly. This would suggest that when it comes to the implementation of new agile working practices, it is even more important that employers are able to communicate how agile working benefits everybody in the organisation.

Top barriers to offering atypical working arrangements (%)

| | All | Private sector | Public sector | Voluntary sector | SMEs | Large |
|--|-----|----------------|---------------|------------------|------|-------|
| Inconsistency in quality of work | 35 | 37 | 30 | 24 | 33 | 36 |
| Fairness of policies across different categories of staff | 32 | 28 | 44 | 30 | 27 | 35 |
| Cost associated with recruiting, training and onboarding non-permanent staff | 29 | 29 | 29 | 25 | 23 | 32 |
| Lack of capacity to manage performance of some of these workers | 28 | 29 | 22 | 31 | 33 | 25 |
| Staff disengagement | 22 | 21 | 26 | 24 | 17 | 25 |

The response of central and local Government

Last year, the UK Government published an update to its Estates Strategy which it claims will build on the successes of the previous four years, spelling the end for 'Whitehall Palaces'. The Government Estates Strategy sets out how the administration plans to make the most efficient and cost-effective use of its property. The first strategy document was published in 2013, but the Government had already by then begun looking at ways to downsize and improve the operations of its estate.

The new plan covers the period up to 2020 and aims to:

Remove artificial boundaries between departments, local authorities and other public bodies

Work in ways that minimise the need for office space

Use what the Government has more efficiently

Eliminates surplus in a way that maximises receipts and boosts growth and creates new homes

In addition The Operational Efficiency Programme (OEP),

published recently by HM Treasury is asking central and local government departments to make better use of their office space, by using up to 30 per cent less space by sharing desks and introducing agile working. Many local authorities are already on this path because they have signed up to the One Public Sector Estate Programme that makes much greater use of agile working by encouraging departments to see their properties as something to be shared as a single resource.



Central Government

Ever since 2010, the Government has been publishing its annual State of the Estate report which measures the ways in which departments are cutting costs and rationalising space. At the same time the Government also encouraged local authorities to carry out similar re-evaluations of their own space, not only by imposing overall budget cuts but also with the introduction of the One Public Sector Estate scheme, which has been rolled out nationwide following an initial pilot.

This process is incredibly complex because while just five departments account for three quarters of the entire Government estate, the kinds of property they

inhabit have a wide range of functions. For example, the MoD occupies around 0.9 percent of the UK's landmass, the Ministry of

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Justice which manages courts around the country as part of its function and the DWP which manages hundreds of job centres. To address this complexity, the Government has segmented its estate under three categories:

- Mandated estate which

includes central government -owned property and some specialist property like courts

- Benchmarked estate is a subset of the mandated estate, and is only the office space which government takes up.
- Non-benchmarked estate is the front-line estate such as courts, job centres, research facilities and other laboratories.

For the purposes of this report, we are only considering the benchmarked estate alongside the offices of local authorities.

One of the key measures the Government now uses to measure the effectiveness of its estate is the amount of space allocated to each full time employee (FTE). According to the latest State of the Estate report, this figure remains stubbornly at around 13 sq. m. per FTE, which is at the upper range of the British Council for Offices' Specification Guide which sets out best practice on these issues.

Comparisons may be difficult however given the difference in physical infrastructure between





the public sector's offices and those of the private sector.

Even so, there has been a transformation in the way Government departments have used space over the last five years. In all but four departments, the space offered to employees, measured by the number of workstations per FTE, has been reduced, with those in the Foreign and Commonwealth Office reducing the space by a quarter. Across all departments, there has been an 18 percent reduction in the running costs of the estate, amounting to some £634m annually.

The mechanisms to achieve these significant reductions are laid out in the Government's Estate Strategy which sets out to create 'modern, fit-for-purpose and efficient core estate, which provides value for money for the

taxpayer, increases sustainability and enables improvements in the way we work.' They include:

Rationalisation

- Taking advantage of lease breaks
- Following best practice guidelines
- Divesting empty and underutilised space
- Co-locating departments

Modernisation

Apply the workplace standard (see inset)

- Increase collaborative work
- Make better use of space generally
- Improve sustainability
- Implement workplace transformation programmes, including agile working

Above and previous page: The groundbreaking Home Office building in Marsham Street.

The UK Government's New Workplace Standard

Space is allocated at not more than 10sqm/FTE (8 sqm for new space) including major refurbishments for occupied office estate

A variety of work settings are available to employees – HQ, hub, home or host (four Hs)

Fewer desks are allocated than FTEs

Staff are encouraged to work flexibly

Local Government

While it was inevitable that local authorities would look to rationalise their estate given the strict budgets imposed on them by Central Government, the main catalyst for change across the UK's councils has been the creation and extension of the One Public Sector Estate scheme. This is innovative by any standards and directly mirrors the idea of co-working space which is now one of the fastest emerging ways for freelancers and small and growing companies to access agile and flexible workspace,

especially in tech enclaves like those in East London.

The One Public Estate initiative was launched by the Cabinet

The approach mirrors the idea of co-working space which is now one of the fastest emerging ways for freelancers and small companies to access agile workspace

Office and the Local Government Association in 2013, initially working with 12 areas with a further 20 joining in 2014 and now

extended nationwide for those authorities that qualify. Separately, Greater London and Greater Manchester have established land commissions to identify publicly-owned sites and work out how these could be better used, with the surplus sold off.

The aim of the One Public Sector Estate scheme is to encourage local authorities to find ways to share office space and find other ways of

divesting buildings as well as freeing up land for development. Earlier this year the Cabinet Office and the Local Government Association reported that they had gauged the success of the first two phases and found that the 32 councils on the programme own 28 percent of council land and property assets in England and had applied the ideas of the One Public Sector Estate Initiative to free up land for around 9,000 homes and create some 20,000 new jobs. The councils involved are also expected to raise £129 million in capital receipts from land sales and cut running costs by £77 million over 5 years.



Below left, Keynsham Civic Centre, winner of the BCO Award for the UK's Best Workplace 2015

The key features of an agile workplace

Because public sector employers are increasingly aware of the power of their office as a means of cutting costs and bringing people together in new ways, certain office design features are becoming increasingly commonplace at Government departments and local authority offices. This is especially true for those who have implemented agile working practices that are not only about making greater use of shared and collaborative space but also must accommodate the needs of visitors from other organisations, clients and other stakeholders. So the collaborative and client suite has become a key element in the way organisations work. Each suite must convey the right image and be easy to book and use. Audio-visual technology must be intuitive and universal. Access to e-mail and the internet must be readily available. These suites are often far more than meeting places. They have enabled organisations to throw their doors open to others

and allow them to use their offices as if they were their own.

Staff working as part of an agile working culture must also feel they are part of the organisation, with the same access to information, services, meeting rooms and workstations as their more office based colleagues.

The approach mirrors the idea of co-working space which is now one of the fastest emerging ways for freelancers and small companies to access agile workspace

The employees, consultants, client managers and administrators that now form a typical working environment each have their own demands on the space they use. Each has varying needs for privacy, collaborative work and confidentiality but all share the need to communicate and, most importantly, to work productively and to get the absolute maximum out of their working environment.

At the very heart of the changing workplace are the people that inhabit it. With some of that know-how in short supply, it has become increasingly important that employers have in place a sophisticated approach to attracting and retaining the best staff.

This goes way beyond offering the right salaries. It must incorporate a package of benefits and considerations including the need for status, career growth and training, work-life balance, location and a strong sense of self-worth.

In turn each of these considerations must be reflected in the physical space the firm occupies and the culture it supports. The office must also help to bring people together including those from different disciplines and department, in some cases with formal meeting rooms; in other cases with cafes and break out spaces, libraries and chill-out zones to create unplanned meetings.



Conclusions

Given economic conditions and the current policy of austerity, it is no surprise that the Government has introduced strategies designed to maximise both efficiency and value for money in its two largest areas of expense; buildings and people.

The consolidation of buildings and departments, the disposal of older and costly buildings, the construction of new and energy efficient buildings and increasing the number of people working in a given floor space are all fairly obvious and predictable initiatives. In fact, one could argue that austerity or no austerity, they simply represent good practice.

The adoption of agile working practices however, is more than simply good practice and represents intelligent and innovative thinking. Such an approach has been prevalent in the private sector but the public sector has now not only caught up

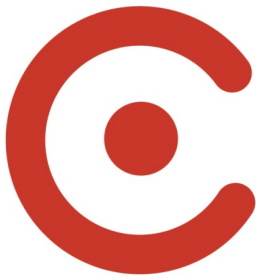
but in many instances pioneered new approaches. Because of their need for greater efficiency, public sector bodies are exploring and implementing this new way of working for sound economic reasons and at an accelerated rate.

In the private sector, which often does not face the same kind of financial pressure, new working practices and their corresponding effects on office design and management may be implemented for other reasons, for example as a way of enhancing a brand.

The underlying shift towards agile working practices is based on clear strategic imperatives. Firstly, ensuring that there are the right number and types of building to maximise efficiency. Secondly, by taking advantage of these innovative new working models to creating workplaces that allow the organisation to meet its objectives and allow people to flourish.



About Connection



Connection are specialists in developing innovative furniture and products that make spaces work. From their home in Huddersfield, they have built a business by establishing great relationships with their customers – understanding, meeting and exceeding their needs. As a result they now work with clients and partners in over fifty countries worldwide.

They are experts in the workplace. They know what it takes to create inspirational environments and they understand the ever-changing needs of the workforce.

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