

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker</b>	Leader and Executive Member for Hampshire 2050 and Corporate Services
<b>Date:</b>	14 March 2024
<b>Title:</b>	Corporate Office Accommodation Strategy
<b>Report From:</b>	Director of Hampshire 2050 and Assistant Chief Executive

**Contact name:** Tim Martiensen and Rebecca Thompson

**Email:** [tim.martiensen@hants.gov.uk](mailto:tim.martiensen@hants.gov.uk); [rebecca.thompson@hants.gov.uk](mailto:rebecca.thompson@hants.gov.uk)

### Purpose of this Report

1. The purpose of this report is to seek agreement to proposals for the strategic reduction of Hampshire County Council's office accommodation and associated facilities across wider Hampshire. This will address the underutilisation of assets resulting from changes in ways of working and reduce the annual revenue costs and future liabilities arising from the County Council's estate.

### Recommendations

2. That the Leader and Executive Member for Hampshire 2050 and Corporate Services approves the proposed medium term strategy to consolidate the use of office accommodation across wider Hampshire and to make more flexible use of retained assets across multiple service areas as set out in paragraphs 57 to 62 of this report and supported by the information provided in the exempt appendices.
3. That the Director of Hampshire 2050 and Assistant Chief Executive, in consultation with the Leader and Executive Member for Hampshire 2050 and Corporate Services or, in their absence, the Deputy Leader, and the Director of Corporate Operations, is authorised to confirm the individual assets within the scope of the review that are surplus to the County Council's future requirements and approve their release, subject to an appropriate business case confirming the proposals for relocation of staff and services.
4. That the Director of Hampshire 2050 and Assistant Chief Executive, in consultation with the Leader and Executive Member for Hampshire 2050 and Corporate Services or, in their absence, the Deputy Leader, and the Director

of Corporate Operations, is authorised to determine the most appropriate disposal strategy for freehold assets identified as surplus to the County Council's future requirements, supported by a suitable options appraisal, and to commence the process for disposal of these sites at the appropriate time.

5. That the Director of Hampshire 2050 and Assistant Chief Executive, in consultation with the Leader and Executive Member for Hampshire 2050 and Corporate Services or, in their absence, the Deputy Leader, and the Director of Corporate Operations, is authorised to accept offers for surplus freehold assets, where these can be evidenced to be in line with market values.
6. The Director of Hampshire 2050 and Assistant Chief Executive, in consultation with the Leader and Executive Member for Hampshire 2050 and Corporate Services or, in their absence, the Deputy Leader, and the Director of Corporate Operations, is authorised to surrender any leases and/or take any other action reasonably necessary for the implementation of the agreed strategy.

### **Executive Summary**

7. This report sets out the details of a review undertaken on the future requirement for County Council office accommodation and associated facilities across wider Hampshire. The key themes and principles identified through the review informed the development of four strategic options for the optimisation of assets providing office accommodation across the county. This report identifies the recommended strategic option that best meets the financial, strategic, and operational priorities of the organisation.
8. A review of the County Council's Winchester office accommodation was undertaken in summer and autumn 2022. A decision was taken by the Leader and Executive Member for Hampshire 2050 on 9 March 2023 to implement a strategic approach to rationalising the office accommodation to address the low utilisation levels arising from changes to working practices following the Covid-19 pandemic and secure revenue cost savings alongside a financial return from the disposal of surplus freehold assets, in line with the County Council's Strategic Asset Management Plan (SAMP). The decision included delegated authority to the Director of Hampshire 2050 to implement the agreed strategy in consultation with the Leader and Executive Member for Hampshire 2050 and Corporate Services.
9. In the summer of 2023 a further review was undertaken to identify and evaluate a number of strategic options for the reduction of the County Council's office accommodation and associated facilities across wider Hampshire, to address the low utilisation levels of these assets.

10. The options considered have interdependencies with current and future operational and service delivery models, recognising that service delivery models will continue to change into the future and the County Council must continue to demonstrate that assets are utilised effectively to deliver measurable value and returns on a business case basis.
11. The recommended option identified in the report provides a medium term strategic approach to consolidating office accommodation across wider Hampshire that will result in the County Council exiting from a number of assets that are identified as surplus to its current and future needs. The release of assets will be achieved through a combination of ending lease arrangements within some buildings owned by third parties and disposal of some assets where the County Council owns the freehold, once proposals for relocation of staff and services are confirmed.
12. Where the County Council owns the freehold of surplus assets, the report identifies that each asset will be subject to a detailed evaluation of the options for disposal. It is recommended that further decisions on disposal of surplus assets are delegated to the Director of Hampshire 2050 and Assistant Chief Executive in consultation with the Leader and Executive Member for Hampshire 2050 and Corporate Services, or Deputy Leader, and the Director of Corporate Operations.

## **Context**

13. Prior to the Covid-19 pandemic, the strategy for the County Council's corporate office accommodation was to seek to make the most efficient use of the available accommodation through consolidation and increased utilisation of space by County Council staff and services and to address any surplus capacity through release of whole buildings or letting of surplus accommodation within occupied buildings.
14. Recognising the significant change in ways of working driven by the Covid-19 pandemic, the opportunity was taken in 2020/21 to reduce the scale of corporate office accommodation through the release of Hampshire House in Eastleigh and Fareham Reach and Fareham Borough Council offices in Fareham, which were occupied under lease arrangements.
15. With formal hybrid working arrangements established across the organisation in early 2022, data captured through the second half of the year confirmed that utilisation of the County Council's retained office accommodation continues to be lower than prior to the pandemic. To address the surplus capacity, a review of opportunities to further reduce the office portfolio has been undertaken, with the initial focus on the offices in the Winchester area. A strategy for rationalising office accommodation in Winchester was approved by the Leader and Executive Member for Hampshire 2050 and Corporate

Services in March 2023. The approved strategy identified a number of surplus assets for disposal including Capital House, which has now been sold.

16. In parallel with the review, the County Council's Strategic Asset Management Plan (SAMP) for the period 2023 to 2028 was developed and approved by Cabinet in December 2022. The SAMP provides a strategic framework for the management of the County Council's land and property assets and, recognising the change in working practices, includes a specific strategic action to "rationalise and reduce the overall size of the County Council's built estate starting with office accommodation".
17. In the summer of 2023, a further review was undertaken of the County Council's office accommodation and associated facilities across wider Hampshire.
18. This second review incorporated main area office hubs and ancillary sites, library buildings, register offices, former children's centre buildings and corporate storage across the county. These are all assets currently functioning as office accommodation or that have the potential to accommodate staff and services currently located in office buildings. The review considered the context of broader business needs, key adjacencies, potential changes to ways of working, and the rationalisation of business operations.
19. The review has identified consolidation and rationalisation opportunities for the County Council's office accommodation, achieving a reduction in the total number of assets through co-location of services, new ways of working and increased utilisation of retained assets.
20. Potential annual revenue savings of £1.8m, identified from early rationalisation opportunities within both the Winchester and wider Hampshire office accommodation strategies, are incorporated in the Savings Programme to 2025 (SP25) proposals approved by the County Council at its meeting on 9 November 2023.
21. Assets within the wider Hampshire review are used in diverse ways to support teams delivering area-based services, in particular services for children and adults. The review involved engagement with both Adults' Health and Care and Children's Services directorates to consider future operating models for area-based teams and services.
22. A key principle of new ways of working will see buildings utilised in a more holistic and one-organisational way, providing opportunities for a range of teams to utilise the space and assets. A good, early example of this has been the use of Lymington Library where teams from both Adults' Health and

Care and Children's Services relocated from a larger underutilised building and now deliver their work in the heart of the community.

23. Children's Services are moving towards Family Help and Community Hub models involving greater collaboration between services and presence in the local community with possible use of partner assets to deliver activities and services. Adults' Health and Care teams currently work on a locality model visiting customers at residential locations with lower reliance on Front of House provision within County Council occupied buildings.
24. In line with the SAMP the review has also considered links to district council offices and town centre regeneration schemes.

### **Scope of the Review**

25. The review focused on County Council assets currently used primarily as office accommodation and meeting space for County Council employees and for delivery of a range of customer and public facing services. This includes accommodation the County Council occupies under lease arrangements in several district council offices. The review also included assets with the potential to provide these requirements in the future, such as larger Library buildings with surplus capacity. There is a mixture of freehold and leasehold accommodation across the portfolio.
26. Other operational buildings where office accommodation is not a main use or where there is little opportunity to provide significant office accommodation, such as schools and nursing homes, were excluded from the scope of this review due to the specialist nature of the accommodation they provide.

### **Methodology**

27. Analysis has been undertaken to determine the property baseline in relation to space, cost, utilisation, sustainability, asset condition and geographic distribution of staff and service users. Engagement sessions were held with leadership teams across each directorate to gather qualitative information including current and future service strategy, priorities, asset usage, employee and customer experience and operational considerations. The quantitative and qualitative information was gathered into a single data pack. The key themes and principles identified through the review work have informed the development of strategic options for the optimisation of the area assets. A dynamic model has been designed to underpin the study and can continue to be used to refine the strategic options.
28. Market valuations were undertaken both by the County Council's in-house Estates Management team and by Mace through online desktop research.

Vail Williams Property Consultancy then sense checked these valuation figures. These valuations were used to inform the financial assessment of the strategic options but will be subject to further market review and testing at the point of disposal of any individual asset.

29. Four options for the strategic approach to addressing the under-utilisation and cost liabilities of the area office accommodation assets were identified and evaluated against cost saving over 10 years, operational fit, future liability, business continuity and development / commercial opportunities. Further information is contained in the exempt appendices.

<b>Option</b>	<b>Description</b>	<b>Key issues</b>
<b>Option 1 - Do Nothing.</b>	No changes to existing assets.	No disruption to service delivery. Increasing asset liabilities, number of properties are no longer fit for purpose, underutilised space.
<b>Option 2 - Do Minimum.</b>	Reduce leased space where feasible with minimum service impact. Let surplus space where possible.	Increasing asset liabilities, number of properties are no longer fit for purpose, underutilised space. Some localised service disruption. Disposal of any already vacated buildings.
<b>Option 3 – Consolidation and more flexible use of retained assets.</b>	Significant reduction in total number of assets. Move administrative teams to local hubs or to Winchester. Increase use of Library buildings to provide more public facing services and drop in space for area based staff.	Reliant on directorates implementing new models of service delivery. Reduction in asset liabilities with the opportunity to deliver over the medium term to minimise cost and service disruption.
<b>Option 4 – regional hubs</b>	Reduce provision to 5 regional hubs: Northwest, Southwest, Southeast, Northeast and Central.	Maintains a strong local presence. Time to deliver and cost is hard to predict at this stage and a high level of new investment would be required to secure appropriate assets.

## Key findings

### Capacity, utilisation and demand assessment

30. Analysis has been undertaken in relation to space, cost, utilisation, sustainability, asset condition and geographic distribution of service user groups and County Council employees.
31. The highest levels of Childrens Services' service user need are found in urban areas, particularly in the southeast. For Adults' Health and Care services the southwest and north-central regions represent the highest areas of need.
32. Front of House (direct customer facing activities) provision is critical for hosting some children's services and functions such as Registration services and Library services.
33. The total number of County Council employees based at the buildings within the scope of the review is circa 2,000. The review found that average desk utilisation across the assets in the review was 30% with the busiest peak utilisation reaching 50%.
34. Annual expenditure on property costs (rent, rates, utilities) across the assets in the review is £3.3million net of rental income; £3.7million gross. Business rates account for 36% of expenditure. Ten assets account for 70% of the total property costs for the assets within the review.
35. Several assets are in poor condition and require significant investment to maintain them in a fit for purpose state. While further work is required to confirm condition and future liability, a possible £7.5 million in condition liabilities over the next 10 years has been identified alongside a likely increase in reactive maintenance costs.
36. Comparing future demand with potential capacity under Option 3 (consolidation and more flexible use of retained assets) indicates that there would be sufficient capacity to accommodate anticipated demand based on the current model of utilisation and with changes to the operating models of local service delivery teams.

### Market assessment

37. The total potential capital receipt from all disposable sites considered in the area review is estimated at £7.6m. Within each option, the capital receipt assumes an outright sale of surplus freehold assets. Valuations are estimates

using both internal and external sources. The disposal figures are estimates at this stage.

38. A quarter of the assets within the review are leased and therefore cannot provide a capital receipt. There are several properties that form part of a larger site and as a result would be difficult to dispose of outright. This review did not consider closure or relocation of any Libraries and therefore the Library buildings are considered as retained in all the options.
39. Where freehold assets are identified for disposal, planning appraisals and Title reviews will be required to inform detailed valuations and a per asset disposal strategy. An assessment of individual assets will be undertaken between unconditional sale (where the purchaser assumes any planning risk) which generally yield lower figures and 'subject to planning' sale which should maximise value but requires a longer timescale to complete the disposal process.
40. Uncertain market conditions have led to a decrease in transactions for office accommodation, which are significantly down in the south and southeast compared to last year. The impact of environmental, social, governance (ESG) and Minimum Energy Efficiency Standard (MEES) requirements, the quality of office space on offer and access to available funding (if required), have all led to office values dropping to their lowest levels since the global financial crisis of 2008. However, where there is reasonable opportunity to secure planning consent for conversion or redevelopment to residential uses, the market is still positive.
41. The opportunities for disposal of freehold assets are spread across the county and therefore are unlikely to impact each other. However local market conditions will need to be considered as part of the disposal strategy for individual assets.

### **Cost of Change**

42. The capital costs for investment intervention to ensure any remaining buildings are fit for purpose have been calculated on per metre square rates using BCIS indices uplifted to Q1 2025. These are high level assumptions for the purpose of consistent comparison of the strategic options at this stage. Detailed due diligence and analysis of individual assets will be required to confirm the brief and scope of works for each site. Further information is contained within the exempt appendices.



## **Review Conclusions**

43. Considering the capacity, operational, market and financial assessments described above, the strategic direction identified under Option 3, to consolidate the use of office accommodation and to make more flexible use of retained assets across multiple service areas, scores highest against the criteria of cost savings, operational fit, reduction in future liabilities and development opportunities. This option is dependent on directorates implementing their new service delivery models and potentially increases business continuity risks as changes are implemented. This latter issue is minimised by the organisation's ability to work more flexibly and remotely, as demonstrated over the past few years.
44. Option 3 provides the opportunity to realising annual revenue savings and other financial benefits, implemented over the medium term to enable effective management of operational and market risks.
45. Neither Option 1 or 2 deliver sufficient benefits in terms of provision of fit for purpose space, corporate savings and avoidance of future liabilities to address the County Council's current priorities. These options would also miss the opportunity to consolidate employees and services within fewer assets, provide an improved customer journey and enhanced opportunities for staff collaboration
46. Option 4, while also offering a consolidated workplace model, requires significant up front capital investment with greater cost risk and lower savings than Option 3. It reduces the impact on existing Library buildings but does not offer the opportunity to exploit the potential of the larger library buildings as both operational centres and community hubs.
47. Further information on the detailed options appraisal is contained within the exempt appendices.

## **Consultation and Equalities**

48. Relevant senior officers across the organisation have provided input to the review in relation to their services' needs and utilisation of office accommodation. The Corporate Management Team has been engaged throughout the review. No public consultation was undertaken as part of the review as this will be carried out, where required, on an individual asset basis.
49. The location, parking provision, public transport links and accessibility of the buildings have been considered as part of the review.

50. This paper sets out a strategic approach for change. Given both the variation of assets under consideration and the range of options on the future location of staff and services, each relocation project will be subject to its own detailed equality impact assessments. These will be undertaken as part of the next phase of the programme where appropriate engagement and consultation with staff, trade unions, service users and partners will be undertaken in line with relevant corporate policies and statutory requirements. A timeline of activity and communication plan will be developed to support this process, and further detail is contained within the exempt appendices.

## **Climate Change Impact Assessment**

51. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

52. The carbon mitigation tool and climate adaptation tools employed by the County Council were considered and deemed not applicable on this occasion because the decision relates to a strategy rather than a specific project or programme of work.

53. A decarbonisation assessment was undertaken comparing energy use by area and using CIBSE energy benchmarks where gas/electricity data was missing. Emissions were calculated using Defra carbon factors. Increased occupancy was included in the calculations. Potential carbon savings for each option were calculated based on an assumed outcome for each asset.

54. Energy performance certificate ratings were used where available. Of the available EPC ratings, 10 are D or below. These would require future investment to bring them up to an acceptable level.

55. Potential carbon savings to the County Council for each option are identified below:

- Option 1 – Do nothing. Saves 0 tonnes of CO<sub>2</sub>e
- Option 2 – Do Minimum. Saves 0 tonnes of CO<sub>2</sub>e
- Option 3 – Consolidation. Saves up to 3,140 tonnes of CO<sub>2</sub>e
- Option 4 – Area Hubs. Saves up to 2,950 tonnes of CO<sub>2</sub>e

56. Release of surplus assets under either Option 3 or 4 will reduce the County Council's overall energy use and operational carbon emissions as well as future liabilities associated with adapting buildings to achieve carbon net zero.
57. Several measures have already been undertaken to improve the energy efficiency of the County Council's office buildings, including the installation of sensor-controlled LED lighting and improved heating controls in a number of buildings. Opportunities to further improve the energy efficiency of retained buildings will continue to be explored, in line with the climate change strategy for the built estate which forms part of the wider portfolio of strategies and policies that come under the umbrella of the SAMP.

### **Recommended approach**

58. In line with Option 3, consolidation and more flexible use of retained assets, it is proposed to adopt a strategic approach to the rationalisation of the County Council's office accommodation that maximises the use of strategic assets in key locations, including Tier 1 Libraries across the County. This approach reflects strategic decision making for the medium term.
59. The first step in delivering Option 3 will be to prioritise assets that can be released within the SP25 timescale, either by ending a lease or selling the building. It is anticipated that further consolidation of the assets, in line with the identified strategic option, would be implemented over the medium term period.
60. A programme plan will be developed to support the effective delivery of the rationalisation work and minimise service disruption and abortive investment. Work with directorates to make the necessary changes to enable implementation of the strategy will continue throughout the programme.
61. The disposal options for surplus freehold assets will be evaluated to determine the most appropriate approach that balances the financial return with the cost, risk, and timescale to realise the return. Where there is a clear benefit to doing so, planning consent for alternative use will be sought prior to the disposal of freehold assets.
62. Achieving disposal outcomes will be subject to market conditions. Acceptance of any offer will be subject to confirmation that it is in line with market values and best value considerations as required under s123(2) of the Local Government Act 1972.
63. In order to facilitate timely and efficient disposals, achieving best value for the County Council, it is proposed that authority is delegated to the Director of Hampshire 2050 and Assistant Chief Executive, in consultation with the

Leader and Executive Member for Hampshire 2050 and Corporate Services or, in their absence, the Deputy Leader, together with the Director of Corporate Operations, to confirm the individual assets that are surplus to the County Council's requirements, determine the most appropriate disposal strategy for each of these assets and commence the process for disposal at the appropriate time. In all cases delegated decisions will be supported by a suitable options appraisal and business case.

## **Conclusion**

64. Hampshire County Council's Strategic Asset Management Plan (SAMP) sets out a vision for the County Council's estate, including that:
- County Council property is planned and managed as a corporate resource for the people of Hampshire.
  - the size of the estate is reduced to fit what we need.
  - optimal financial return and commercial opportunities from the rationalisation and disposal of surplus land and buildings is achieved.
65. This report recommends a strategic approach that seeks to consolidate the use of corporate office accommodation across wider Hampshire, making more flexible use of retained assets across multiple service areas and enabling the release of a number of older and less suitable assets to realise ongoing revenue savings and capital receipts.
66. This approach represents a considered decision making providing a medium term strategy that is aligned to the SAMP and the County Council's "Serving Hampshire - Strategic Plan 2021 to 2025", to target its resources to continue to support the most vulnerable residents in Hampshire, whilst building healthy, resilient, and prosperous communities for years to come.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

<b>Hampshire maintains strong and sustainable economic growth and prosperity:</b>	yes
<b>People in Hampshire live safe, healthy and independent lives:</b>	yes
<b>People in Hampshire enjoy a rich and diverse environment:</b>	yes
<b>People in Hampshire enjoy being part of strong, inclusive communities:</b>	yes

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u> <a href="#">Strategic Asset Management Plan 2023 to 2028</a> <a href="#">Corporate Office Accommodation Strategy</a>	<u>Date</u> 13/12/2022 09/03/2023
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u>	<u>Date</u>

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

No equality impacts have been identified arising from this report. A full equality impact assessment will be completed as part of the implementation phase of the programme.