



ASSET



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First employment post attained since graduating. Prior to writing the research document Maxim was employed by various architect firms as an assistant on numerous community and housing buildings. He is currently designing and developing various workspaces/fit out projects primarily based in the city of London. Max was supported in this project by a steering group of Federation of Corporate Real Estate members and an ACES representative.

BUILDING THE BUSINESS CASE FOR FLEXIBLE WORKING

CONTENTS:

KEY QUESTIONS

EASTBOURNE COUNCIL

ENFIELD COUNCIL

LEWISHAM COUNCIL

OGILVY HEALTHWORLD

BT BRENTWOOD

SEVERN TRENT

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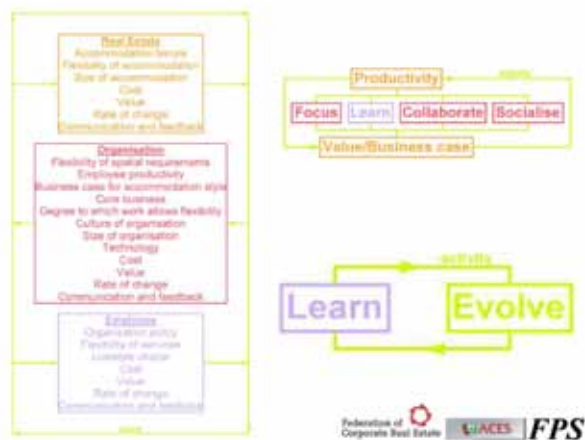
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From an architecture perspective, assessing how a building is used post completion has been interesting to observe, especially with respect to optimising the building and appropriating it for different uses, both with the private sector and the public sector. At the start of this research project I was new to the idea of property rationalisation and the starting point for me was to research how an organisation justifies rationalising their estate purely by looking at the spending by businesses. If we look at the breakdown of costs with regards to what organisations tend to spend we can see that workforce salary is the biggest expenditure and so it is important to think about your workforce when rationalising your property assets. Whilst cost reduction is especially important in property, it must not be done in a way that does stifle productivity and the general smooth running of an organisation.

When I was looking at flexible working, not a one size fits all approach, I realised that it was important to assess what an organisation wants to achieve from flexible working and implement it through thorough analysis. To put this in an economic context, as there is no definitive direction in which the economy is heading, I think that flexible working is applicable to both organisations that are trying to either expand or to consolidate their services. When I was trying to understand flexible working and how an organisation could potentially try to implement it, I looked at an organisation in its holistic sense, which is the real estate where people work, the organisation which is their core business and the employee that implements the directions from senior management. When implementing flexible working it is important to maintain productivity, which is why the productivity is the business case as it adds value to the organisation. Because we are in an age where we have greater knowledge amongst our workforce, and if we look at the university figures it is a lot more informed and knowledgeable, it is important to implement “learning and evolve” from learning and the most successful work rationalisation schemes that I have looked at almost self-rationalise after they have been implemented.



Key Questions

The key research questions were whether property rationalisation could provide a platform for an organisation to:

- Meet long-term strategic goals
- Generate operational savings
- Optimise the performance of the organisation
- Enhance the distribution of resources; and
- Engineer integration and collaboration from its human resource.

The question, as this applies to property, is how can rationalisation help address short-term operational costs without hindering future growth? It is somewhat paradoxical in a sense that property rationalisation is not about property but about people.

The methodology that we used to ascertain what was done in practice was to interview and to look into 5 public and 5 private sector organisations and assess new flexible working applications in practice as opposed to just theorising about it. We assessed their

- Attitudes to flexible working from senior management
- The interactive working environment
- The cost of buildings and infrastructure such as ICT
- Value, i.e. the long term issues affecting the organisation which are intrinsically linked to productivity; and
- Learning experiences to be applied generally

Presented in this report are 6 case studies from a mixture of public and private sector organisations:

Eastbourne Council



Key issue Placing the right staff in the right location. The council wanted to transfer its staff from 3 leasehold buildings into one, implement a “touch down” working practice and create a central office hub to facilitate exchange between field and office based staff.

Costs

- £900k fit out cost
- £450k upgrading the building’s energy efficiency

- £1m ICT fit out
- £0 capital receipts as all buildings leasehold
- £2.35m net expenditure
- £33k projected revenue savings per annum

Payback Period Approximately 7 years.

Enfield Council

Key issue The need to reduce surplus property. The Council occupied 11 buildings and wanted to release 7 of these and consolidate into the remaining 4 properties. The council achieved a desk to staff ratio of 8:10 from 1:1 and is hoping to make further reductions to 7:10.

Costs

- £1.2m fit out costs including furniture and office moves.
- £1.3m laptop costs and ICT infrastructure
- £2.5m potential capital receipts from sale of existing assets
- £0 net expenditure
- £1m revenue savings to date

Payback Period Approximately 2 years

Lewisham Council



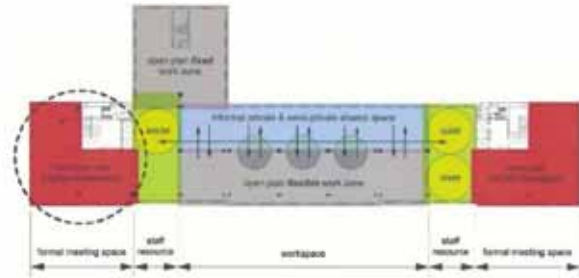
Key issue: The need to reduce surplus property. This was one of the more established flexible working schemes and was established in 2005. A substantial amount was spent on fit out and ICT.

Costs

- £3.8m fit out and ICT
- £7.3m capital receipts
- £0 net expenditure
- £1.1m revenue savings to date

Payback Period Approximately 6.5 years.

Ogilvy Healthworld



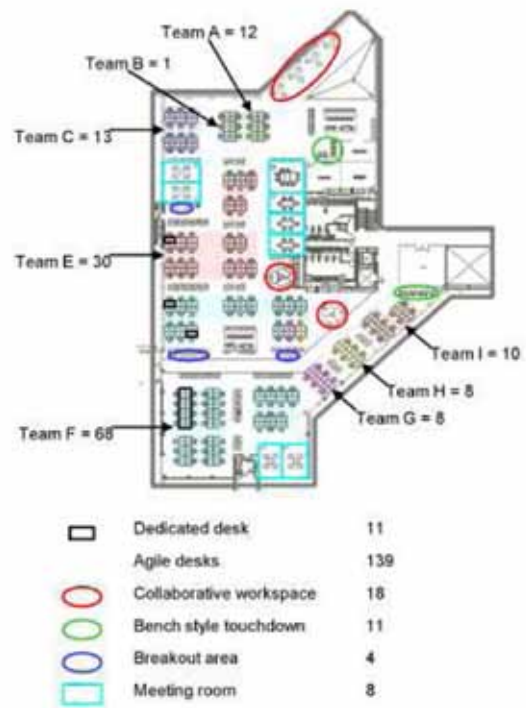
Key Issues: The need to increase workspace density for an expanding workforce and The desire to increase opportunities for relationship building. The project saw the re-design and fit out of a 1000sqft office to achieve a 25.1% increase in the occupancy density from 139 to 174. The project was heavily design consultancy led and saw major savings compared with the total cost of moving to a new and larger building with higher rental charges.

Costs

- £166k total costs
- £0 capital receipts
- £166k net expenditure
- £135k per annum revenue savings

Payback Period 1.25 years

BT Brentwood



Key Issue: The need to reduce property costs and increase the

under utilisation of the asset. The project saw the organisation condense its activities to the East wing of the building and to increase the utilisation of the building by approximately 80%. The outcome was the release of 6,000sqm of office space to let out, a reduction in fixed allocated desks from 88% to 32%, an increase in shared desks from 12% to 68% and a desk sharing ratio of 1.5 people per desk.

Costs

- £100k per annum
- £0 capital receipts
- £100k per annum net expenditure
- £1.35m projected revenue savings plus rental savings per annum

Payback Period 0.25 years

Severn Trent

Key Issue: The need for “future proofing” in ever changing economic trends and The desire to establish a new permanent HQ (freehold building). The project saw the company consolidate from 7 “central” buildings to one central hub. The organisation was forced to act rapidly by the expiry of leases on rental buildings. The new HQ building was part financed by grant funding, which was an incentive to invest in Coventry. The project also saw the downsizing of the workforce from 1700 to 1500.

Costs

- £16.6m land cost
- £12m fit out, IT and changes of personnel costs
- £40m construction cost
- £45m capital receipts (grant and sale of existing buildings)
- £23.6m net expenditure
- £200k per annum projected revenue savings

Payback Period: N/A

Outcomes

The outcomes of the projects featured above demonstrate that there are many benefits to be attained from flexible working and property rationalisation. Their implementation saw each of the organisations achieve the following outcomes:

Cost Incentives

- Average annual revenue savings of £530k
- Average capital receipts of £4.7m
- Average payback period of 3.5 years

Direction and Strategy

The project was an inflection point for positive change within the organisations, and resulted in a renewed and energised

workforce and the alignment of strategic and tactical objectives for the organisation.

Optimisation of Service

Each organisation achieved improved workflow patterns, increased efficiency and better service delivery.

Integration and Collaboration

Rationalisation led to increased employee interaction that facilitated better communication, the transfer of skills and information, enhanced team working and a reduction in the duplication of work.

Intangible Value

In addition to the measurable material benefits, the implementation of a flexible working and property rationalisation strategy also has a number of intangible benefits:

- A clear and consistent policy that provides clear strategic structure to the organisation
- Increased employee satisfaction
- Reduction in grievance and employee frustration
- Reduced absenteeism and sick pay
- Reduction in employee turnover
- Improved brand value for the organisation; and
- Productivity gains from having the right people in the right place.

Workspace Rationalisation Types

There are 3 key workspace rationalisation types:

Type 1 Consolidation of services

- 1-2 years implementation period
- £2m average project cost
- Revenue savings of approximately £200-300k
- Payback period of typically 5 years, but can be shorter

Type 2 Resource Optimisation

- Implementation period under one year
- Revenue savings depend largely on property (£150k - £1.35m)
- Project cost typically less than £500k
- Rapid payback period typically under a year

Type 3 Investment in Central Hub

- 3-5 years implementation period
- Large capital expenditure projects upwards of £20m
- Low revenue savings to project cost ratio (typically £200-300k)
- Long payback period

Conclusion

In conclusion, property rationalisation allows organisations to establish and review long term strategic goals, generate operational savings, optimise the performance of the organisation, enhance the utilisation factor of resources and engineer integration and collaboration from its human resource.

The key and overriding goal is to address short-term operational costs whilst preparing for the future.