INSIGHTS 2017

ESTATES RATIONALISATION

Delivering a successful strategy

ESTATES AND PRODUCTIVITY: THE MISSING LINK

MARK HOLMES
COO FOR CONSULTANCY, MACE

Mark is the COO for Consultancy at Mace. He joined the business in 1992 and was made a director in 1996. Throughout his career he has been driven by a desire to challenge conventional ways of doing things and to really make a difference to his clients' businesses.

Throughout his career, he has worked with clients to use property as a catalyst for organisational change and portfolio rationalisation. One of the best examples of this was Mark's first project at Mace, delivering British Airways' £200m corporate headquarters at Waterside.

Mark was instrumental in setting up and establishing Mace's project management and consultancy business, as well as Mace's cost management business and Macro, our FM business.

Efficiency and saving money have been the core motivations for estate rationalisation across both the public and private sector, but the productivity benefits have been largely overlooked. The majority of estate rationalisation programmes start with a need to reduce operating costs of the estate and supporting infrastructure, they are seldom joined-up with business need and as a result this very often has a detrimental effect on performance, rather than heightened performance, especially if you move to a modern working model based on shared desks.

For nearly a decade the UK's productivity levels have lagged behind those of other nations and recent ONS figures have shown the biggest fall in UK productivity since the financial crisis in 2008. In the November 2016 Autumn Statement, the Chancellor stated that "[The UK] lags behind the US and Germany by some 30 percentage points…Which means in the real world, it takes a German worker four days to produce what the UK makes in five; which means, that too many British workers work longer hours for lower pay than their counterparts."

And while the financial benefits of managing an organisation's physical estate are well known, the productivity benefits of co-locating colleagues are less well defined. But this could be the key to engaging employees more effectively when bringing in new ways of working.

Encouraging creativity and different groups of people working more closely together is a focus for more and more businesses. Mace client, Sky, actively sought this when it brought together 3,500 employees at the new Sky Central building in Osterley. Sky wanted to encourage the flow of people and ideas around the business, creating a working environment that was highly flexible, connected and that provided its people to interact with colleagues that they wouldn't normally work with. This ties into the additional benefit of having talented people under one roof – in a hub – with real opportunities to share knowledge and 'lessons learned'.

Deutsche Bank was able to reap similar benefits when it recently consolidated its back office workers from five buildings in the City of London to one in Canary Wharf. The move was part of its new Strategy 2020 plan in order to increase efficiency and strengthen controls. Indeed, the bank's plans to consolidate some of its asset management and private banking divisions at Victoria in central London will not only consolidate activities and create efficiencies, but will also allow it to get closer to many of its clients – a key element towards future growth.

But despite these positive examples, too often, the connection between 'bringing together' those staff and estates rationalisation is missed.

Disparate work forces are less likely to network with staff outside their business function, less likely to encounter approaches to problems other than their own – and so less likely to deliver added value through collaboration. By limiting estate creep and moving to a 'hub office' model, you dramatically increase the number of face-to-face interactions between people across your organisation.

This should be a key element of every business case around rationalising large estates – but at the moment it is largely ignored.

So how do we demonstrate the ancillary benefits of estate rationalisation?

- As an industry, we need to do better at measuring potential productivity gains from estates rationalisation – it's hard to blame clients for not realising the benefit when we can't properly quantify it for them.
- There is no substitute for investing in people, especially if you are changing your operating model. Get this right and you will retain staff and attract new talent to your business.
- Investing in technology that allows your employees to use the physical infrastructure in a smarter way and work more flexibly.
- Understand what your staff are looking for from their environment – often resistance to large-scale hot desking programmes or space rationalisation is linked to other concerns that can be mitigating without limiting the scope of the original programme.

Raising the productivity levels in construction is a key issues we're tackling at Mace; this isn't simply a 'nice to have' but a business imperative. By the end of the decade, the UK could see a 25% decline in the construction workforce available, given the number of older people working in our industry and the expected workforce shortage we're anticipating as a result of the UK leaving the EU. In order to address this we're bringing in innovations into the way we work – the very way we design and build buildings – as well as focussing our efforts on bringing young people and skilled workers from other industries into construction.

We've asked some of our client experts their experience of delivering estates strategies across both the public and private sectors – you'll see there are some parallels across industries and sectors and lessons from which we can all benefit when planning for our estates for the future.

RICH HORNBY
DIRECTOR OF FINANCE AND ESTATES
HOME OFFICE

Rich is the Finance and Estates Director for the Home Office, a position he has held since 2016. He is also a member of the Audit Committee for the National Police Chiefs' Council. Prior to these positions, Rich worked in local government for 14 years.

It's a controversial thing to say, but I don't want the Home Office Estates strategy to be about its estate.

The Home Office is a national organisation with a mission to transform the way we do business and deliver value to the taxpayer, as well as our more well-known functions of terrorism prevention, cutting crime, controlling immigration and promoting growth.

As a part of central government, delivering value to the taxpayer is a fundamental principle we apply to everything we do, and undoubtedly our estates strategy is an important part of this as we review our traditionally central London-centric estate. Key questions we're looking at include who and what really needs to be at the centre? Which of our services will better serve communities by being delivered in those communities, creating savings for the taxpayer in the process?

As an operational department with front line staff such as border force officers and court presentation officers as well as the more stereotypical policy mandarins, so there are a number of location-specific roles that can't be moved. The business driver for us is having the right people with the right skills in the right place.

At the same time, we need to ensure that our estate is fit for purpose for modern civil servants in a digital age. The Home Office has an approach to Smarter Working, by investing in making the office accommodation flexible, providing staff with modern end-user computing and supporting flexible working practices, making the space we have "work harder" and ensure we're maximising efficiency across the board. Over last two years, rollout of smarter working in the Home Office has led to 23 building exits saving £8.5m, nearly 10,000 moves in 13 locations to downsize in 2 Marsham Street to create space for Defra and build a Croydon Campus and agreement to opportunity for 10% productivity gains from smartphone and laptop rollout to 30,000 staff over the next year through new ways of working.

Our estates strategy contains steps toward meeting the government standards for cost per square metre, space per person and sustainability targets. Of course it does. But what makes it genuinely part of the business plan is the way it works alongside workforce and skills planning. There are parts of the operation that will always have to be where they are, Heathrow is a good example. But for many other teams in the Home Office, they could be anywhere in the United Kingdom, and for us this is an opportunity to use our estate to grow and recruit skills across the country.

We now take a cluster approach, siting ourselves as part of government clusters to create pools of talent for the Home Office and other departments, but also providing our staff with career opportunities in the civil service. There is a collaborative gain for government as a whole for these clusters to develop as skilled staff will always be sought after in a competitive market and the Home Office will benefit as people choose to stay in the 'Brilliant Civil Service'. The estates strategy will include components such as a deep relationship with institutes of further education.

So, couched in these terms, a ten year lease becomes a ten year plan for skills and recruitment, rather than a valuation and occupancy exercise.

Now the questions we ask of ourselves are:

- What will the workforce need to be like in ten years' time to deliver our mission?
- Where in the country will the civil service and its supply chain grow this work force?
- How will they need to work?
- How then will the location and style of the estate play its part?

By turning the issue on its head and making the strategy about people, rather than property, our approach is now about upskilling people and shaping the estate around business need. For us, this is the next generation of estates rationalisation and we're looking to work with government departments as well as the private sector to make this a reality.

CREATING A MORE AGILE APPROACH TO REAL ESTATE

ANDREW O'DONNELL
EMEIA REAL ESTATE LEADER
(MATURE MARKETS), EY

Andrew leads the Real Estate function in EY both in UK & Ireland, and more recently across Europe, managing EY's Real Estate commitments and strategy. As a global professional services organisation, EY has c.1.2m sqft of office space in UK&I for c.17,500 people and a total portfolio of c.9m sqft across Europe for nearly 90,000 people. Andrew joined EY as a graduate in 2001 and has seen the firm develop its EY@Work workplace model, which creates unassigned activity-based working space and empowers its people based on outputs.

In the changing world of Artificial Intelligence (AI), Robotics Process Automation (RPA) and the Gig Economy, the challenge for any corporate real estate leader is one of agility. The workplace approach needs to digitise but there is a growing need to consider that the traditional principles of a lease and fit out need to change, as our businesses digitise and increasingly adopt contingent workers. Businesses now need a wider reach than their own direct employees and buildings that curate and provide experiences, interactions and relationships beyond their sector – those that manage to do this will truly enhance their business.

For the past seven years, EY has been driving a global programme throughout its estate known as EY@Work that creates an activity-based workplace where the office becomes a hub for collaboration and enables our people to work when and where they need to, to serve our clients best. This programme has already seen 120,000 people in EY globally adopt this new workstyle and enhancing our overall engagement while supporting a single estate strategy that has enabled a transformation in density and cost metrics.

While this programme remains a critical part of EY's Real Estate, Talent and Technology Strategy, it is becoming clear this is not the only programme of change required to ensure our workplaces remain relevant to our people and our clients. One new area of change is EY's move into joining co-working spaces to be able to broaden the horizons of our people and aid our clients in new connections and way of working. Examples of this include Work. Life in Reading, Second Home in London or in the Spaces brand in Europe, where we are finding the flexibility and the environment are becoming a key part of EY's estate strategy.

As EY continues to transform its approach and looks ahead to diversify our workplace for the future, the following areas are coming into prime focus:

A single overall global vision – EY@Work has enabled EY to integrate our approach across borders and learn from the variety of people, clients and cultures while ensuring everyone has the same EY experience wherever they go. This core programme has helped EY become more efficient, as noted, but also continually relevant to our employees (Note: 75%+ of EY employees are millennials). The programme is also constantly evolving; a recent move to telephony free offices and the integration of 'sit to stand' for 30% of all workspaces are two notable examples.

Agility – While the headquarters or city office environment remains an important part of the corporate culture and identity, they are by nature inflexible. EY made the decision to cap its leased real estate over two years ago and to drive growth into flexible environments to ensure we can continue to adapt to client and people needs. All our additional spaces are now on a maximum of 12 month terms to allow EY to ensure it can remain responsible and agile in its approach.

Shared spaces – The growth of the sharing economy is not a new trend but this is now very much coming into the world of professional services. The growth of alliances, client collaborations and scale up businesses means EY needs to be in environments that curate experiences and engage with new communities. Basing our people at Work.Life in Reading is just one example of how we are finding co-working a very relevant solution to both our clients' needs and our people.

One size does not fit all – A single channel real estate strategy is by its very nature lacking diversity. In embracing employee and client diversity we must also embrace real estate diversity from long leases, to co-working, from high tech labs to simple spaces. The nature of diversity also means we need to provide comfortable environments for all generations, religions and ethnicities widening the pool of spaces EY offers in and outside of our environments.

Technology as an enabler – Enabling technology is now a core part of what real estate should be focused on. In the past year we have formed EY's Real Estate Technology and Innovation Team ('RETI'), a global team within the Corporate Real Estate ('CRE') function. RETI is helping set standards and lead projects in smart buildings, app development, new tech piloting and global standards while creating a culture of experimentation. Corporate real estate professionals need to drive this and not just wait for an IT organisation to bring solutions or we will all fall behind.

"We stand on the brink of a technological revolution that will fundamentally alter the way we live, work, and relate to one another. In its scale, scope, and complexity, the transformation will be unlike anything humankind has experienced before." (World Economic Forum, 2016)

In my mind I think we all need to expect a shift over the next few years to prioritise agility and community in our choices of buildings and developments, EY is certainly already there and we are certainly not alone.

ONE PUBLIC ESTATE (OPE): AN OPPORTUNITY TO SHARE SPACE AND PROMOTE COLLABORATIVE WORKING

STEVE CLOW
ASSISTANT DIRECTOR PROPERTY SERVICES
HAMPSHIRE COUNTY COUNCIL

Steve Clow leads Hampshire County Council's Property and Facilities Services. With over 300 professional staff offering a comprehensive multi-disciplinary service, the team delivers a wide range of capital projects in the public sector as well as managing the Council's existing built estate of around 5,000 buildings on 1,000 sites. Property Services undertakes work for other public sector partners through innovative shared service arrangements. The service is a regular award winner, with accolades in the areas of design, sustainability and innovation in procurement.

OPE is an established national programme sponsored in partnership by the Cabinet Office Government Property Unit (GPU) and the Local Government Association (LGA). It provides practical and technical support, together with funding to Local Authorities and other public sector partners to shape and deliver ambitious property focused projects in collaboration with Central Government.

OPE partnerships across the country have shown the value of working together taking a strategic approach to asset management and promoting co-location of services. At its heart, the programme is about getting more from our collective assets – whether that is acting as a catalyst for major service transformation such as Health and Social Care integration; unlocking land for new homes and commercial space or creating new opportunities to save on running costs or generate income.

Government has claimed that by 2019–2020 the programme is set to generate 44,000 jobs, release land for 25,000 homes, raise £615m in capital receipts from sales, and cut running costs by £158m.

Locally, the Wider Hampshire One Public Estate partnership has matured since its commencement in 2015. In total, £1.06m of government funding has been applied throughout Hampshire to strengthen relationships and investigate shared projects with a property and asset focus. OPE investment has enabled the assessment of opportunities in a number of 'places' across the county with a particular geographical focus on towns and communities. It has also provided resource for regeneration and housing delivery for some of the county and district councils' strategic land sites.

As well as funding feasibility studies for transformation projects, it has fostered closer working relationships with partners across the public sector, including borough and district authorities, health, defence, emergency services and central government departments. This has enabled synergies to be identified and explored making the uptake of shared accommodation and the colocation of complimentary services more likely and straightforward to implement. Through a regular Land and Assets Board, partners are able to share best practice and seek support from each other.

From our experiences in the wider Hampshire OPE Programme, there continue to be a number of challenges and blockers that can easily impact on a successful outcome. Amongst these are:

- Aligning each partner's drivers and timescales for delivery – particularly in the context of significant reductions in revenue budgets;
- Co-ordinating service delivery change and improvements with asset rationalisation (arguably, the former should come first);
- Budget alignment and management including charging for the use of space (utopia would be the establishment of one 'landlord' across all public assets in one locality – impossible with the current public sector governance); and,
- An inability to share IT and security platforms across services.

There still remain a significant number of opportunities and major efficiencies in the public sector estate are still untapped. From our experience, projects can take years to come to fruition and the 'failure rate' can be significant. The important thing is to lead with conviction and stay engaged with public sector partners as opportunities can arise at any time. The government funding has been invaluable in establishing and managing a programme with dedicated resources. The work currently being undertaken would not have happened without it. The opportunities are significant:

- Co-location of services to promote collaboration, efficiency and improvement. This can include the likes of a single 'front of house' interface with residents and the public; cross-sector innovation and promotion of new ways of working (Multi-Agency Safeguarding Hubs (MASH)); shared leadership and management potential.
- Release of assets for other positive uses (with a particular emphasis on housing).
- Capital receipts for the reinvestment in remaining (fewer) assets to improve the longevity and quality of the environment.
- Revenue savings on asset running costs (although much less significant than the potential for productivity improvements in service delivery).

As a founding member of the OPE initiative and its earlier iterations, Hampshire has had a number of positive experiences. However, it is definitely a 'long game' approach which requires commitment, tenacity, engagement and financial support to bear fruit.

KEY FACTORS FOR A SUCCESSFUL ESTATES RATIONALISATION STRATEGY

RACHEL GILLOTT
OPERATIONS DIRECTOR, MACE

Rachel joined Mace in 2007 and has come through the ranks via the Graduate scheme and has completed the Mace Developing our Future programme. Rachel is responsible for delivering global corporate real estate accounts and implementing successful programmes. Rachel's expertise includes stakeholder management and assurance of strategic programmes. Most recently Rachel has been involved in supporting a key client in Canary Wharf undertaking one of the largest refurbishments in London.

In the ever-changing business world, macro influences are having a seismic effect on organisations' estates strategies, ways of working and the workplace environment. These factors vary from the advancement of technology, millennial workforce expectations, the impact of wellbeing on productivity, not to mention how Brexit will drive further change.

As such, organisations and employers are having to adapt their physical assets and locations, understand and maximise the optimum use of space across their property portfolios and subsequently review how estates are managed and buildings designed.

Technology

A main driver and enabler underpinning these requirements is technology. The world becomes more connected, services and asset management operations automated and the use and application of AI solutions to manage data becoming more widespread. Employers are therefore looking at the best solutions to maintain sustainability and growth in the digital transformation of their businesses and the respective industry sectors.

As an enabler, the adoption of new technology can increase productivity by driving efficiencies and connectivity. No longer do employees need to be in the same location to communicate; data can be shared and stored centrally to be picked up from wherever needed and on whatever device; the same meetings can be attended by people in different offices and even countries reducing time and cost e.g. in travel. It can also improve customer service and open up new countries and sectors for operation.

Next generational workforce

New technologies and new ways of working also require new talent and skills. To attract and retain a skilled workforce, a focus on the needs and wants of the next generation workforce is paramount when reviewing an effective estates strategy. Millennials and Generation Z – which in four years' time will make up 70% of the workforce – should be front of mind in the design and use of space in offices across a transforming portfolio.

An understanding of the most effective environment to support a more creative and collaborative approach to work and desired comfort and flexibility is key. Building on the evidence that employee wellbeing increases productivity, the design and modernisation of an estate should support physical environments to optimise the cognitive and emotional health of the workforce.

Wellbeing and productivity

Building wellbeing design and construction, such as the WELL Building Standards, provide guidance for spaces which encourage active ways of working, allowing employees to move around more and to increase physical connectivity. These can include varied work settings including stand/sit and treadmill desks, as well as break out spaces, canteens and coffee bars and the inclusion of more and wider staircases inspiring impromptu meetings.

Other factors combining to create a pleasant and comfortable working environment include designs that use bespoke lighting and acoustics solutions, fast digital connectivity and the adequacy of equipment to fulfil a role.

An example in practice can be seen in the requirements for visiting employees from other office locations or countries where the host surroundings should be as familiar as possible to avoid any learning curves for new technology processes. Solutions such as ‘plug and play’, technology where laptops and desktops can be integrated seamlessly in workstations wherever they are in the world, can reduce time and any stress.

The security and perceived safety in the workplace for an employee is being answered as the security of assets, facilities, processes and people become a priority on the agenda of any organisation no matter where they are in the world. The best estate strategies will incorporate security as a priority.

Space requirements and optimisation

It is now more common than ever for businesses to look at relocating operations to other more practical locations or countries. This may be part of an effort to better support business assurance or passporting requirements post Brexit. This will be an easier transition and change management process if these factors are taken into account.

The modernisation and optimisation of an estate portfolio supporting new technology and connectivity, new workforce requirements, wellbeing and security will drive an increase in an organisation’s productivity and resilience to the rapidly changing world of work. It is then up to the business to manage the change as effectively as possible, in order to secure ancillary benefits as part of the programme of work.

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