

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET – 21 SEPTEMBER 2010**

**ADDITIONAL URGENT ITEM**

Title of report	<b>FACING THE FINANCIAL CHALLENGE – FUTURE COUNCIL OFFICES</b>
Key Decision	a) Financial No b) Community No
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Purpose of report	To provide Cabinet with an update on the outcomes of the feasibility study for Stephenson’s College.
Reason for Decision	To focus resources on the financially viable options for the Council when considering the future of the Council Offices
Strategic aims	The report links with the Council’s Strategic Aims of: Organisational Development Strong and Safer Communities Healthy Communities Prosperous Communities Sustainable Communities
Implications:	
Financial/Staff	This area of work contributes directly to the financial situation in the context of how the Council will address the target of 30% cash savings from 2011-2014 which is a total saving of £3m. This target is an estimate and may increase. There are no staffing implications as a result of this proposal.
Link to relevant CAT	N/A
Risk Management	Risk management is applicable to all areas of the Council’s statutory duties and service provision, and forms an important element of good governance.
Equalities Impact Assessment	N/A

Human Rights  Transformational Government	No direct implications  The Coalition Government has clearly stated that there will need to be significant savings within the public sector nationally to help reduce the level of national debt. The extent of the reduction in the government grant to this Council will be known in October 2010. However there are current indications that the level of Government funding could decrease by 25 to 30%.
Comments of Head of Paid Service	The report is satisfactory
Comments of Section 151 Officer	The report is satisfactory
Comments of Monitoring Officer	The report is satisfactory
Consultees	Facing the Financial Challenge Programme Team Corporate Leadership Team
Background papers	1. Cabinet Report 22 June 2010 <a href="http://agenda/aksnwleicester/users/members/admin/kab12.pl">http://agenda/aksnwleicester/users/members/admin/kab12.pl</a> 2. Exempt report: Validation Exercise Council Office Relocation – Final Report. 15 <sup>th</sup> September 2010.
Recommendations	<b>THAT CABINET:</b>  <b>A) NOTES THE CONTENT OF THIS REPORT;</b>  <b>B) AGREES THAT THE PREFERRED OPTION OF STEPHENSON’S COLLEGE SHOULD NO LONGER BE PURSUED;</b>  <b>C) DELEGATES AUTHORITY TO THE CHIEF EXECUTIVE TO PURSUE OTHER OPTIONS, INCLUDING THE DEVELOPMENT OF THE EXISTING COUNCIL OFFICES, AND A REPORT TO CABINET BE PRESENTED IN DUE COURSE</b>

## 1. BACKGROUND

- 1.1 The Council has brought together under one programme all the current strands of work to address the financial challenge the Council faces. The programme is called ‘Facing the Financial Challenge’ (FFC).
- 1.2 The Council has a set target of 30% cash savings from 2011-2014 which is a total saving of £3m. This target is an estimate and may increase.

1.3 The Council in 2009 anticipated that there could be significant changes in Government funding to local government; these were included in the Medium Term Financial Strategy (2009-14) and the VfM programme. The Coalition Government has clearly stated that there will need to be significant savings within the public sector nationally to help reduce national debt. The extent of the reduction in the government grant to this Council will be known in October 2010. CLT will also establish any ongoing shortfalls in local income. The combined effect of reducing these two income sources may require the Council's target to be adjusted.

1.4 Building on the last 3-4 years of efficiencies (since 2007 the council has saved in the region of £1.5m) NWLDC is a lean organisation, so finding more cash savings is extremely challenging and requires a further programme of savings i.e.

- A reduction in the management structure
- Continue to seek alternative delivery methods, with other Authorities (shared services), the private/community and voluntary sector
- Seeking to develop new income opportunities
- Only filling vacant posts which are linked to Council priorities & key frontline services
- Maximise further savings from procurement
- Continue to seek new efficient methods of service delivery, including mobile working for staff
- Continue to challenge robustly, the use of external expertise/capacity
- Challenge the cost of democracy i.e. cost of elected members and their support services

These actions will result in;

- A smaller organisation with fewer posts
- Subsequently a lower requirement for office space
- Significant cash savings whilst protecting key frontline services

Subsequently the Council needs to review its assets including the Council Offices to ensure that there is an appropriate amount of office accommodation for the council of the future. It is anticipated this should release further cash savings towards the financial challenge.

## **2. CHANGING LOCAL CONTEXT**

2.1 Members will be aware that for some time the Council has been considering options to reduce the revenue cost of the current Council Office accommodation, and also the importance of working in partnership to deliver services within the local community.

2.2 The context has changed significantly since this area of work began and this has affected the evaluation of options available to the council; in particular the favoured option of relocating to the Stephenson's College site. A summary of the changes that have taken place are:

- Partners are no longer able to commit to an alternative accommodation proposal due to ongoing reviews and budgetary pressures – this significantly changes the size of the accommodation required.
- The Council's advisors have confirmed that the Council would be required to meet a BREEAM (Building Research Establishment's Environmental Assessment Method) 'excellent' standard or equivalent, and there would be additional cost implications to this.

- Additional options have been presented which need further consideration
- Property advisors for both the College and the Council have undertaken detailed negotiations in respect of the Stephenson's College site.

### **3. STEPHENSON'S COLLEGE OPTION**

- 3.1 The Cabinet report on 22 June 2010 entitled '*Coalville's Changing: Proposals for a Partnership Hub*' recommended that the option of relocating the Council Offices to the Stephenson's College site should be developed in order to understand the full financial costs and implications of being located on this site.
- 3.2 The College has appointed external Property Advisors to undertake the detailed land and property negotiations for the potential site, including developing the proposal and providing a breakdown of the costs involved.
- 3.3 Similarly the Council has appointed external Property Advisors to undertake the negotiations and to advise the Council regarding the change in context.
- 3.4 As indicated above, these negotiations have now been completed, which have provided a clearer indication of the proposal being put forward by the College, and the financial implications on the Council. It is now clear that the College will be unable to incur the capital cost of providing new accommodation for the Council, and that this cost will need to be incurred directly by the Council. Our advisors have indicated that the site proposed is a particularly difficult one from a deliverability point of view and that considerable capital costs over those originally envisaged will be required to provide access, to deal with unfavourable ground conditions and to pay for additional offsite highway works. When the prudential borrowing costs associated with such expenditure are added to the proposed rental costs for using the existing College building, and the service charges relating to the new accommodation, it is extremely unlikely that any financial savings will accrue to the Council through the relocation.
- 3.5 In view of the above, officers and the Council's advisors see little justification in pursuing this option any further.
- 3.6 However, despite this outcome the College and the Council continue to have a positive and ongoing relationship, the College is a willing partner to continue discussions with regards to shared services and to provide the Council with meeting facilities should it be necessary, in order to support the Council's revenue reductions.

### **4. NEXT STEPS**

- 4.1 Whilst the previously preferred option is no longer financially viable, the Council must still continue to examine its accommodation costs as part of its 'facing the financial challenge' process. This report therefore seeks the agreement of Cabinet to continue to develop other options, including the development of the existing accommodation, with a view to significantly reducing its revenue costs. A further report will be submitted to Cabinet once this work has been undertaken.