

Cabinet Report



Report of the Strategic Director

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Office accommodation

Recommendations

- (a) Cabinet approves a variation to its section 113 shared services agreement with Vale, whereby the majority of shared council staff will be based at our Crowmarsh offices and Vale of White Horse District Council will pay £175,743 service charges annually to South Oxfordshire District Council for five years until the arrangement is reviewed.
- (b) Cabinet authorises the strategic director and the head of legal and democratic services to complete the variation of the section 113 shared services agreement to reflect these changes.
- (c) Cabinet recommends to council the approval of a revenue virement for £480,000 from identified underspending budgets this year to cover the refurbishment cost of the Crowmarsh offices.

Purpose of Report

1. This report explains the outcome of recent negotiations between Oxfordshire County Council (the county), South Oxfordshire District Council (South) and Vale of White Horse District Council (Vale) to make better use of existing council office buildings.

2. The report seeks the agreement of cabinet to base more shared staff at Crowmarsh offices, with office accommodation costs to be recharged between the councils.
3. The report sets out the financial implications for South. It demonstrates that the council will make significant annual financial savings. It requests a budget virement in this financial year to cover essential refurbishment works.

Corporate Objectives

4. The greater utilisation of building assets would make a significant contribution to the corporate objective of effective management of resources, as well as make significant financial savings. The co-location of whole service teams has the potential to further the objective of excellent delivery of key services.

Background

5. Following the Vale Cabinet's approval to lease Abbey House space to Oxfordshire County Council, Vale and the county entered into an agreement for lease on 23 December 2013. The county will undertake refurbishment work to its Abbey House space from February 2014. In order to provide vacant possession to the county, the majority of South and Vale staff need to be relocated from Abbey House to Crowmarsh offices.
6. Staff will be relocated in two phases at the end of January and end of February 2014. After these office moves there will be approximately 320 South and Vale staff based at Crowmarsh and 50 staff based in Abbey House, with 40 other staff spread between Cornerstone (Didcot), Wantage Civic Hall, the CCTV control room (Abingdon) and roaming (car park inspectors).

Location of South and Vale council staff

7. Until now, council employees and onsite contractor staff have been spread evenly between Crowmarsh and Abbey House. As a result there has not been the need for the two councils to recharge one another any office accommodation costs.
8. From February 2014 there will be approximately 320 staff based at Crowmarsh and 50 staff based in Abingdon. The office accommodation costs will no longer be borne evenly between South and Vale; instead, South will incur a greater proportion of such costs. The Head of Finance, as both councils' s.151 chief finance officer, has calculated a fair service charge to ensure both councils share office accommodation costs which prevents either council subsidising the other at the expense of taxpayers.
9. The methodology apportions all running costs (e.g., gas, water, electricity, business rates etc) proportional to the time staff spend working for each council. The apportionment has been calculated as 54:46 (South:Vale) as not all staff work 50:50 for both councils. Using this methodology South will recharge Vale for the use of the Crowmarsh offices and Vale will recharge South for the use of

Abbey House. In practice South will recharge Vale the net amount. Using this methodology the net figure would be £168,853 for 2014/15.

10. The recharge could be re-calculated each year or the two councils could agree to apply a fixed inflator to the 2014/15 recharge for a duration to give both councils certainty.
11. South and Vale cabinet members discussed the above at the Joint Cabinet Board meeting on 2 January 2014. All cabinet members agreed with the methodology and expressed a strong desire to fix the recharge for five years. It was also agreed that using an inflation factor of two percent fairly apportioned future risk.
12. An annual recharge of £175,743 is arrived at when inflating the 2014/15 recharge by two percent per annum and smoothing the annual sums out to give a fixed annual recharge for each of the next five years. It is therefore proposed that the annual recharge will be £175,743 for five years, after which it should be reviewed and if necessary renegotiated.
13. Should either council suffer significant unexpected one-off costs relating to their building such costs should be shared between the councils in accordance with an agreement at the time.
14. Subject to cabinet approval, it is proposed that this change would be contractually reflected in a formal variation to the existing section 113 shared services legal agreement which was approved by both councils in 2008 and amended in 2011.

Refurbishment and improvement works

15. The relocation of approximately 135 staff from Abbey House to Crowmarsh requires some refurbishment works to 'open up' the building and provide more useable office space. Some offices are being moved and reduced in size and the works include removing partition walls, new walls, re-decoration, etc. The one-off cost of these works is approximately £350,000, which can be funded this year using virements from other underspending council budgets. The annual recharge from the Vale will cover this cost with a payback period of less than 2.5 years.
16. There are a number of other building maintenance works which had not been progressed whilst officers were considering long term plans for the Crowmarsh building. Now that the building looks likely to be fully utilised for the foreseeable future this is an opportunity to carry out these works at the same time as the refurbishment. These works include essential heating system maintenance and addressing over-illumination with energy efficient LED lighting. The one-off cost of these works is approximately £130,000, which can be funded this year using virements from other underspending council budgets.
17. The refurbishment works in paragraph 15 and maintenance works in paragraph 16 total £480,000. The cabinet is requested to recommend to council for approval a revenue virement for this amount. This will create a budget for this amount from other 2013/14 under-spending budgets to enable the necessary works to be completed. This virement will also reduce the council's overall corporate underspend at the year-end.

18. For several years staff at Crowmarsh have complained about the lack of heating controllability and cold spots in the building during the winter. In preparation for the increase in staff at Crowmarsh a heating consultant has been asked to assess options to resolve the heating problem. In addition to identifying the essential maintenance works referred to in paragraph 16, the consultant has proposed two options to solve the wider heating problem. The lower cost option amounts to £120,000 and offers better value for money than an option to install radiators throughout the building which amounts to £310,000. A growth bid for £120,000 to undertake the heating improvement works is being submitted as part of the 2014/15 budget-setting process.

Financial Implications

19. To provide a fair apportionment of office accommodation costs between the two district councils an annual recharge of £175,743 paid by Vale to South has been proposed from 1 March 2014 has been proposed. For 2013/14 a pro-rata payment will reflect one month's apportionment.

20. Over the minimum five year length of this arrangement the annual recharge provides sufficient funds to cover both the £480,000 of one-off refurbishment works required at Crowmarsh (of which £350,000 is directly attributable to increased staff numbers) and any increase in annual building costs, as well as make a significant surplus for the benefit of South taxpayers.

21. This office accommodation rationalisation project makes a significant contribution to the council's bottom line. All financial implications have been reflected in the necessary virement request and growth bid. All income and expenditure projections have been included in the council's 2014/15 proposed budget and medium term financial plan.

Legal Implications

22. The county council and Vale exchanged an agreement for lease on 23 December 2013. South and Vale cabinet members discussed and agreed the South-Vale recharge methodology and provisional amount at the Joint Cabinet Board meeting on 2 January 2014. This needs to be ratified by each Cabinet and budgetary provision made by each council before it can be incorporated in the s.113 shared services agreement. The cabinet is asked to authorise the strategic director and the head of legal and democratic services to complete the variation of the section 113 shared services agreement to reflect the changes set out in this report.

Risks

23. There are benefits and financial savings for all three councils in sharing offices. The main risk is that the parties fail to agree and fall out before moving in together.

24. South and Vale cabinet members have been regularly briefed by officers throughout the negotiation process in order to ensure the evolving solution was

politically acceptable. The joint cabinet board meeting enabled a mutually agreeable recharge methodology and amount to be agreed informally.

25. The county-Vale lease is assured for at least five years at which point the county could exercise a break clause, however ongoing efforts to accommodate the county's requirements will hopefully retain the county as tenant for considerably longer. This project generates a significant net surplus for South and Vale over the five years so there is little financial risk.

Conclusion

26. Consistent with South's and Vale's pioneering shared service arrangements and joint procurements, the councils have the opportunity to partner the county council in an innovative office rationalisation scheme. This will make further savings for South, make more efficient use of a public asset and co-locate teams to provide further operating efficiencies.
27. Cabinet is requested to approve the South-Vale recharge methodology and amount. Cabinet is also requested to recommend approval of the refurbishment virement to full council. Cabinet is asked to authorise the strategic director and the head of legal and democratic services to complete the variation of the section 113 shared services agreement to reflect the changes set out in this report.

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