

CABINET – 3 APRIL 2012**SHARED ACCOMMODATION IN MARKET HARBOROUGH****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE
DIRECTOR OF ADULTS AND COMMUNITIES DEPARTMENT****PART A****Purpose of Report**

- 1 The purpose of this report is to seek approval for Leicestershire County Council to enter into a long-term agreement with Harborough District Council for the provision of a co-located accommodation solution in Market Harborough, to include accommodation for back office and library functions.

Recommendations

- 2 The Cabinet is recommended:
 - a) to approve the Heads of Terms for an Agreement, set out in paragraphs 26-30 of the report, for a Licence to be granted by Harborough District Council to the County Council to secure office accommodation for back office and library functions, noting specifically that due to the nature of the agreement, a long-term commitment of up to 40 years is proposed;
 - b) to authorise the Director of Corporate Resources to settle the final terms of and enter into an agreement, based upon these heads of terms, in accordance with the timetables associated with Harborough District Council's property transformation programme and the County Council's Office Strategy;
 - c) to approve an amendment to the approved capital programme, noting specifically that it is intended that a Capital contribution, of an estimated £1.6m, is made to the project in lieu of ongoing license fee payments, as detailed in paragraphs 14 to 20 of the report.

Reasons for Recommendations

3. As part of the County Council's Office Strategy, shared office accommodation with the District Council will contribute towards the delivery of significant efficiency savings for the County Council. The expected level of revenue cost for securing office accommodation from Harborough District Council is consistent with that anticipated by the Office Strategy.

4. Occupying shared office accommodation with the District Council together with the likely availability of surplus office accommodation for other public sector partners in the building, will provide a main geographic focus for the delivery of public services in Market Harborough.
5. Refurbishment of the library accommodation together with potential co-location with the Harborough Museum offers an opportunity for greater integration and increased community involvement in both services.
6. Relocation to new offices will provide significantly improved working conditions for County Council staff and an improved environment from which the delivery of County Council services can be provided.
7. The expected level of revenue cost for the relocation and redevelopment of Market Harborough library represents a good value investment for the County Council which will offer an improved environment from which the delivery of library services can be provided.

Timetable for Decisions (including Scrutiny)

8. If approval is forthcoming, an Agreement for Licence will subsequently be signed with Harborough District Council, subject to securing statutory approvals and subject to contract.
9. The District Council's Cabinet will determine whether to proceed with the proposed shared accommodation project on the 30th April 2012.
10. The District Council expects to submit a planning application for the redevelopment of its headquarters building in late spring/early summer 2012, with work commencing subject to approval, in autumn 2012.
11. The redevelopment of the Adam and Eve Street site is expected to be ready for occupation from completion in autumn/winter 2013.
12. The Scrutiny Commission will be considering the proposal for co-location of accommodation with Harborough District Council at its meeting on 28 March 2012 and its comments will be reported to the Cabinet.

Policy Framework and Previous Decisions

13. On 14 November 2008, the Cabinet approved the Office Strategy, setting out how the County Council is to be equipped with the office facilities required to operate effectively and efficiently into the foreseeable future.
14. Proposals to refurbish the library, together with potential co-location with the Harborough Museum, are consistent with the Libraries, Heritage and Arts Review approved by the Cabinet on 8 March 2011 which seeks to realise efficiencies, in part, through sharing services and facilities.

Resources Implications

15. The Office Strategy is an invest-to-save programme, which is delivering ongoing annual revenue savings of £0.7m from 2012-13, rising to £0.8m in 2013-14. These savings are an identified component of the Medium Term Financial Strategy.
16. The estimated Capital contribution, which will necessitate an amendment to the approved Capital Programme, that the County Council would make towards the development of the new offices and refurbished library accommodation in Market Harborough is £1.6m.
17. The Capital Contribution could either be financed through borrowing or a revenue contribution. It is proposed that in the first instance the Director of Corporate Resources explores the use of the 2011/12 underspend to finance the Capital expenditure, with the alternative being prudential borrowing. Cabinet will be requested to consider approving the use of the 2011/12 underspend as part of the Outturn Report in late Spring.
18. If prudential borrowing repayments or an annual licence fee were payable, the annual revenue costs of library accommodation represent an increase compared to budget allocation in the MTFs of in the region of £25,000. This increased cost is incurred as a consequence of three distinct contributing factors:
 - The present level of rent paid for the library has not been reviewed by the District Council since 2002 and is therefore not representative of current local rent levels;
 - The increased floor area being offered by the District Council for library use - Market Harborough library is undersized for a market town library; and
 - The improved quality of library accommodation to be provided following refurbishment.
19. Cost of refurbished office accommodation are already anticipated in the budgets set following the office accommodation project.
20. The terms of Agreement proposed by the District Council are for license of up to 40 years, with a nominal annual fee payable to the District Council..
21. The above figures are estimates, and in line with all property and major construction projects, will be subject to change as the build progresses.
22. The vacation of the existing area office, at Brooklands on Northampton Road, Market Harborough, will generate revenue savings towards the cost (already accounted for in the office strategy business case).
23. The County Solicitor has been consulted on the legal implications of this report.

Circulation under the Local Issues Alert Procedure

24. Mr. B. L. Pain CC.

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PART B

Background

25. Harborough District Council is undertaking a substantial programme of Transformation, including organisational restructuring and modernisation, focussed on delivering over £4.5m in terms of savings relating to budget reductions.
26. Better use of its property assets by the District Council is part of this Transformation programme. A report prepared by consultants Willmott Dixon for the District Council in late 2011 recommended that the current Headquarters building on Adam and Eve Street, Market Harborough be refurbished, allowing the District Council to retain a town centre presence and generate a sustainable income through lease of surplus office space to partners and retail on the ground floor of the building. The report also recommended that the finances for this project be generated through lease or disposal of other District Council owned assets in the town, enabling the overall project to be self-funding.
27. The proposed outcomes of the District Council's project are complementary to the County Council's Office Strategy which recommends delivery of a co-located locality back office solution in Market Harborough. Leicestershire County Council's Property and Asset Management Service has been providing some technical consultancy and project management support to the development of this project.

Heads of Terms for Agreement

28. If the Cabinet approves the recommendation, the County Council will enter initially into an Agreement for Licence with the District Council setting out the terms upon which the accommodation will be provided once available, which will act as the basis for a subsequent more detailed contractual agreement.
29. Rather than a traditional lease with a market rental value, a partnership approach has been developed, with the County Council contributing a pro-rata proportion of the development and construction costs for the new building.
30. It is proposed that the County Council will pay this sum as an upfront Capital contribution, which would be in lieu of licence fee instalments covering a minimum of 25 years of the agreement.
31. An annual service charge will also be payable to cover other occupancy costs, including utility costs, security, rates and ICT infrastructure.
32. Suitable flexibility is proposed in the agreement to allow:
 - The effective "sub-letting" of space within the building to other public sector partners, by agreement with the District Council, in the event that the County Council's requirement for space in the building reduces;
 - The County Council to vacate the building within the first 25 years of the agreement, subject to the County Council paying any outstanding balance of the pro-rata contribution; and

- The County Council to be offered first refusal by the District Council in the event of surplus office space becoming available in the building, to provide for a growth in demand where possible.

Consultation

33. Harborough District Council is undertaking consultations with key stakeholders and the local public in respect of its Property Transformation proposals at present. These consultations will be included as part of considerations by the District Council's Cabinet in their decision on 30th April.
34. Further formal consultations will be undertaken as necessary by the District Council to obtain planning permission for the preferred scheme, and as directed by the District Council's Cabinet.
35. Consultations are ongoing as part of the Office Strategy project with Trade Union representatives with respect to relocation implications upon County Council staff.

Background Papers

Report to Cabinet – Libraries, Heritage and Arts Review – 8 March 2011

Leicestershire County Council Office Strategy – October 2008

Relevant Impact Assessments

Equal Opportunities Implications

36. An equality impact assessment will be completed for this specific component project of the office strategy once the final proposals emerge and agreements have been reached with the District Council and will consider the implications upon service users and County Council staff.