

# Cabinet Report



Report of the Strategic Director

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To: CABINET

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## Office accommodation

### Recommendations

- (a) Cabinet approves a variation to its section 113 shared services agreement with South, whereby the majority of shared council staff will be based at South Oxfordshire District Council's Crowmarsh offices and Vale of White Horse District Council will pay £175,743 service charges annually to South 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 Vale Council the approval of a revenue virement for £170,000 from identified underspending budgets this year to cover the refurbishment cost of Abbey House.

### 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 the council. It demonstrates that the council makes 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 cabinet's approval to lease Abbey House space to the county, the two councils (Vale and 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 the Crowmarsh offices.
6. Staff will be relocated in two phases; at the end of January and the 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, South and Vale 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 Abbey House. 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 all 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 county council will undertake refurbishment works to the first floor, second floor and some areas on the ground floor in Abbey House at its own cost from February 2014 before planned occupation in June. The Abingdon-based Citizens Advice Bureau (CAB) office has confirmed it intends to relocate from Old Abbey House to Abbey House when its current lease expires in June. The presence of county teams, CAB and the Vale in Abbey House will provide a more convenient customer experience to our residents and visitors.
16. The Vale needs to undertake some refurbishment work to the ground floor in order to create the CAB suite and improve the facilities for Vale services. New glass doors will be provided across the entrance door to resolve the faulty warm air curtain problem. The council chamber will be made smaller and reconfigured to eliminate the obstructive column. The one-off cost of these works is approximately £170,000, which can be funded this year using virements from other underspending council budgets. 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.

## **Financial Implications**

17. To provide a fair apportionment of office accommodation costs between the two district councils an annual recharge of £175,743 payable by Vale to South from 1 March 2014 has been proposed. For 2013/14 a pro-rata payment will reflect one month's apportionment.
18. The lease rental and recharged service costs paid by the county council to the Vale provides sufficient funds to cover the £170,000 refurbishment works required in Abbey House as well as make a significant surplus for the benefit of Vale taxpayers.
19. All income and expenditure projections have been included in the council's 2014/15 proposed budget and medium term financial plans.
20. The confidential appendix to this report provides a financial summary setting out the net income and expenditure implications.

## **Legal Implications**

21. 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. 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**

22. 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. Given the considerable efforts and some cost incurred to date, the county council and Vale have entered into an agreement for lease which creates contractual obligations and reduces the risk of a falling out. An escalated dispute resolution arrangement has been included in the contract to provide multiple opportunities to avoid a catastrophic falling-out.

23. 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.

24. 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 the council over the five years so there is little financial risk.

## **Conclusion**

25. Consistent with South's and Vale's pioneering shared service arrangements and joint procurements, the Vale Council has the opportunity to partner the county council in an innovative office rationalisation scheme. This will make further savings for the Vale, make more efficient use of a public asset, improve customer service and co-locate teams to provide further operating efficiencies.

26. 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.