

<b>Decision maker:</b>	<b>Cabinet member: Contracts and assets</b>
<b>Decision date:</b>	<b>2 June 2016</b>
<b>Title of report:</b>	<b>Joint customer services hub</b>
<b>Report by:</b>	<b>Head of corporate asset management</b>

## **Classification**

Open

## **Key decision**

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

## **Wards affected**

Central and Widemarsh

## **Purpose**

To approve the development of Blueschool House as a joint customer services hub.

## **Recommendation(s)**

**THAT:**

- (a) The establishment of a joint customer services hub at a refurbished Blueschool House with a total capital cost of £950k is agreed;**
  
- (b) the council grant a lease to the Secretary of State for the Department of Work and Pensions for a part-use of Blueschool house for a 15 year term at £100k**

pa;

- (c) The majority of Regulatory and Planning Services currently based in Blue School House be relocated to Plough Lane with appropriate front line elements relocated to suitable accommodation in the city centre to reflect service delivery requirements;
- (d) on completion of refurbishment of Blueschool House, front facing services from Franklin house move to jointly occupy Blueschool house with Job Centre Plus services (currently located at St Nicholas House);
- (e) vacant possession of Franklin House is afforded and the building be declared surplus to operational requirement for redevelopment or disposal; and
- (f) the director of resources be authorised to take all operational decisions necessary to implement the project within the agreed financial envelope.

## Alternative options

- 1 **Do nothing.** This will not deliver the corporate property strategy 2016-2020 approved by cabinet on 11 February 2016 or the accommodation savings in the medium term financial strategy (MTFS). It will also not allow the council to free up Franklin House for redevelopment or a potential site for the development of university accommodation.
- 2 **Remain in Blueschool House (BSH) but not offer co-location with Department for Work and Pensions (DWP) but dispose of Franklin House.** This is not recommended because the wider benefits to customers of co-location would not be achieved, and the financial efficiencies of co-location could not be delivered.
- 3 **Remain in Franklin House but not offer co-location with DWP and dispose of BSH.** This is not recommended because the wider benefits to customers of co-location would not be achieved, and the financial efficiencies of co-location could not be delivered.

## Reasons for recommendations

- 4 The scheme is part of the approved corporate property strategy 2016-2020.
- 5 The principle of job centres being located within council premises was set out in the Chancellor's autumn statement of 2015.
- 6 The proposal will generate a contribution of £700k from outside bodies to help deliver the scheme, regenerating a key site in the centre of the city of Hereford.

## Key considerations

- 7 This report forms part of the delivery plan of the corporate property programme 2016 2020 which was approved by Cabinet on 11 February 2016. Further decision reports will be required in relation to other key elements of the programme, including the Elgar House and Nelson House refurbishments.

- 8 The proposal for a customer services hub in Hereford has been developed in partnership with senior officers of the DWP regional team. A detailed scheme has now been developed that will accommodate both the council's front facing services and the DWPs Job Centre Plus operation, currently located at St Nicholas House in Hereford. A pilot co-location scheme in Ross library in 2013 has demonstrated effective working relationships and service synergy and identified that there is a strong correlation between users of both services (as much as 80%).
- 9 The introduction of universal credit means that there is an even closer link between the customer base and the co-location has clear customer benefits. The ability to share public access computers designed to facilitate the move to digital by default will help to reduce the reliance on face-to-face staff for both services.
- 10 Blueschool House is located within the Edgar Street Grid (ESG) area. The council owns the freehold to the property; however, the Homes and Communities Agency (HCA) have a retained interest as they provided the money for its purchase in 2007. Since then the council has paid rent to the HCA for using the building. This rent has been held on the HCAs behalf for reinvestment to support the ESG delivery plan and now totals £300k. HCA investment in Blue School House is included in the ESG delivery plan and is designed to act as a catalyst to prompt the further regeneration of that part of Blueschool Street leading from the Old Market to Franklin House. The investment is designed to:
- a) enhance the value of an asset in which HCA hold an interest;
  - b) improve the future marketability and flexible use of Blueschool House as an asset;
  - c) enhance the streetscape and visual appeal of Blueschool Street and the wider ESG area in the hope that it will lead to the attraction of further inward investment.
- 11 The implementation programme of the corporate property strategy attached at appendix A sets out the timeline to deliver a customer services hub at Blueschool House. The dependencies and outcomes include:
- a) non-renewal of the CCG licence to occupy an element of Plough Lane offices along with the offer of alternative accommodation;
  - b) the majority of Regulatory and Planning Services currently based in Blueschool House be relocated to Plough Lane with appropriate front line elements relocated to suitable accommodation in the city centre to reflect service delivery requirements.
  - c) on completion of refurbishment of Blueschool House, front facing services from Franklin house move to jointly occupy Blueschool house with Job Centre Plus services (currently located at St Nicholas House).
  - d) vacant possession of Franklin House is afforded for redevelopment or disposal. The timeline for these activities is provided at appendix A.
  - e) it is proposed that the building refurbishment works be procured through a national framework agreement.

- 12 The business case for the programme relating to the project is contained in appendix B.

## **Community impact**

- 13 The proposal has a number of linkages to elements of the corporate plan, most notably those which related to the securing of better services, quality of life and value for money, in particular:
- a) “review the management of our assets in order to generate ongoing revenue savings, focussing on reducing the costs of ownership of the operational property estate by rationalising the estate and improving the quality of the buildings that are retained”;
  - b) “ensure our essential assets including schools, other buildings, roads and IT are in the right condition for the long-term cost effective delivery of services”;
  - c) “work in partnership to make better use of resources, including sharing premises costs through co-location of services and local solutions for community used facilities such as libraries”;
  - d) “support the improvement in quality of the natural and built environment, bringing about quality development to enable sustainable growth, addressing the need for better business space, affordable homes and student accommodation across the county”;
  - e) “improve the county’s energy efficiency and reduce the carbon footprint”.
- 14 The proposal would see an improvement and integration of services, meaning better coordination and co-operation between services and service providers also providing, due to proximity to other services; savings in time, travel or expense for those accessing the services

## **Equality duty**

- 15 The proposal is expected to provide positive outcomes in respect of the public sector equality duty. Many of the customers of the services provided share a relevant protected characteristic and the enhancement of the offer to be provided can only be seen to be of benefit to them (e.g. co-location means that users of both services can receive their services at a single location and will not have to travel half a mile between the offices as is currently the case.) The refurbishment of the building will improve accessibility which again supports the council in its Equality Duty. If required, an equalities impact assessment will be carried out for each of the staff moves associated with this element of the accommodation programme.

## **Financial implications**

### **Capital**

- 16 The establishment of a joint customer services hub at Blueschool House has a gross project capital cost of £950k. The net capital cost of £250k required to deliver the Blueschool House re-development will be funded from the £1,400k in the approved capital programme for the accommodation programme. The remainder of the funding will be required for re-furbishing Elgar and Nelson House which will be subject to

separate business cases as set out in the accommodation strategy.

- 17 The financial model attached as appendix B assumes contributions towards the required capital expenditure from DWP (£400k) and HCA (£300k).

	£000
Gross Capital Expenditure	950
DWP capital contribution	(400)
HCA capital contribution	(300)
<b>Net capital requirement</b>	<b>250</b>

## Revenue

- 18 By disposing of Franklin House and receiving a revenue contribution of £100k pa from DWP the council will achieve annual savings of £191k which will contribute to the MTFS target.

Annual Revenue Costs	Current Costs			Proposed Cost (shared customer service hub)	Annual Saving
	(Existing Blueschool House)	(Existing Franklin House)	(Existing Model)		
	£000	£000	£000	£000	£000
Rent	91	40	131	91	40
Repairs and Maintenance	20	23	43	20	23
Utilities	23	23	46	23	23
Rates	76	24	100	76	24
Cleaning/Facilities Management	16	9	25	16	9
Other Premises Costs	3	2	5	3	2
Annual income from DWP	-	-	-	(100)	100
<b>Sub-Total</b>	<b>229</b>	<b>121</b>	<b>350</b>	<b>129</b>	<b>221</b>
Capital Repayments*	-	-	-	30	(30)
<b>Total</b>	<b>229</b>	<b>121</b>	<b>350</b>	<b>159</b>	<b>191</b>

\*Expires following 10 year loan period

- 19 Prudential borrowing of £250k is required to fund the net cost to the council which will be repaid over 10 years at an annual cost, including interest, of £30k pa. This will be funded from the revenue savings generated.

## Legal implications

- 20 The council has power to grant a 15 year lease to the DWP pursuant to the Local Government Act 1973 s123. Such grant must be made at a rental which is best value. It is recommended that such lease is excluded from the security of tenure

provisions of the Landlord & Tenant Act 1954 and that it does not permit subletting to ensure control of occupation of the site. Landlord's break clauses will be required should the council wish to have flexibility as to re-occupation of the site before the end of the term.

- 21 Legal will need to review title on Franklin House and advise as to any restrictive covenants or other matters affecting future disposal or development.

## Risk management

- 22 RISK: Project costs escalate and spend goes beyond the approved budget; RESPONSE: An estimate of the cost of the scheme has been provided by the council's property services team. A fixed price quote will be sought via the framework provider at the earliest opportunity (once the decision to proceed has been made). **Impact – moderate, likelihood – moderate.**
- 23 RISK: that Franklin House takes longer to sell than anticipated meaning savings not delivered, e.g. Bath Street and Brockington took longer to sell than estimated; RESPONSE: Disposal plans for Franklin House will be developed and mobilised as early as possible (after the decision to vacate the property is approved) in order to minimise the risk that savings are affected. **Impact – moderate, likelihood – moderate.**
- 24 RISK: The project is not delivered on time; RESPONSE: The fixed price quote from the framework provider will be accompanied by a robust implementation plan. This plan will be subject to rigorous project management. The implications of any potential delay will be included in any agreement with the DWP. **Impact – high, likelihood – low.**
- 25 RISK: HM Treasury withdraws £400k contribution from DWP. The DWP have to give 12 months' notice on their present accommodation in June 2016. Failure to do so will not necessarily prevent the scheme from going ahead, but the £400k time limited contribution is likely to be at risk; RESPONSE: Ensure that the council is in a position to support the DWP in its decision on future accommodation and is able to deal with any potential outcome. **Impact – high, likelihood – low.**
- 26 RISK: There is a risk that HCA may not agree to provide their £300k contribution to the capital enhancements; RESPONSE: This is considered a low risk until a formal agreement is signed, but the proposal is consistent with the objectives of the current and soon to be refreshed ESG delivery plans. **Impact – high, likelihood – low.**
- 27 RISK: Refurbishment plans are not granted planning consent; RESPONSE: Consultations have taken place with the planning department. Approval will be sought as soon as the decision to proceed, and the related decision by the DWP, has been approved. **Impact – high, likelihood – low.**
- 28 RISK: There is a risk that the joint arrangement will not work; RESPONSE: This risk is considered low as the scheme is similar to other joint operations across the West Midlands, 25 in total, and there has been a successful Herefordshire based pilot in Ross-on-Wye. **Impact – moderate, likelihood – low.**
- 29 RISK: There is a risk that the preparation for and relocation of services will disrupt service delivery and business continuity arrangements. RESPONSE: The project team will work with affected services to effectively plan moves to minimise disruption to service and identify better ways of working to ensure accommodation changes are

successfully achieved. Business Continuity arrangements will be reviewed with each service to ensure they remain fit for purpose throughout. **Impact – moderate, likelihood – low.**

- 30 RISK: There is a risk that the lease terms are not acceptable to DWP. RESPONSE: Heads of terms have been agreed between the parties in order to reduce this to a low risk. **Impact – low, likelihood – low.**

## **Consultees**

- 31 The local members, Councillor Len Tawn (Central ward) and Councillor Polly Andrews (Widemarsh ward) are supportive of the proposal.

## **Appendices**

Appendix A – timeline for the delivery of the project.

Appendix B – business case for the project.

## **Background papers**

- None identified.