

PROPOSED NEWCASTLE-UNDER-LYME PUBLIC SECTOR HUB

Report to Council - 23 September 2015

OPEN AGENDA

Submitted by: Executive Management Team

Portfolio: Policy, People and Partnerships; Town Centres, Business and Assets and; Finance, IT and Customer

Ward(s) affected: Town

Purpose of the Report

To provide Council with the rationale as to why the provision of a Public Sector Hub (new offices and customer service point) is both necessary and appropriate.

Recommendations

That Members accept the conclusions of the detailed business case exercise in respect of the partners' accommodation requirements and authorise officers to take the following steps in partnership with Staffordshire County Council (SCC) and the Police & Crime Commissioner's Office (PCC):

- A. To proceed with the construction of a Public Sector Hub on the 'preferred site' of the former St. Giles and St. George's School, Barracks Road, Newcastle-under-Lyme on the basis set out in this report, which will require the following key actions:
 - (a) NBC (freeholder) to grant SCC a long term ground leasehold interest (or any other interest deemed appropriate, in consultation with the relevant Portfolio Holder) on the preferred site.
 - (b) SCC to take the lead (developer) role in commissioning the Hub and when completed, NBC and PCC to be granted long term occupational leases of agreed areas of accommodation by SCC on a "not for profit" (cost recovery only) basis (any variation in commissioning approach to be agreed with the relevant Cabinet Portfolio Holder(s)).
 - (c) That capital and revenue budgets as stated within the business case are made available for the development of the Hub and to prepare services for the transition into new ways of working.
 - (d) To formalise and implement an organisational cultural change programme on the basis described in the report.
 - (e) To establish robust project governance arrangements including reporting to relevant Cabinet Portfolio Holders.
- B. That in addition to the Civic Offices site, the properties below be declared surplus to requirements once the Public Sector Hub is complete and approval is given to release them at the most appropriate time in consultation with the relevant Portfolio Holder:

- a) Offices at Sidmouth Avenue, Newcastle (former SCC leasehold Registrars accommodation) – freehold disposal.
 - b) Offices at St. George's Chambers, Merrial Street, Newcastle – leasehold disposal on the basis described in this report.
- C. Customer Service Centre, Guildhall, High Street, Newcastle – that officers be authorised to take all necessary steps to bring forward viable, detailed proposals for the use of The Guildhall for community and/or voluntary sector purposes, on a full-repairing leasehold basis, as summarised in the report.

Reasons

The Hub will;

- a. Enable staff to be relocated from the current Merrial Street Civic Offices, thereby providing a site, together with that of the former Sainsbury's supermarket, for a comprehensive scheme of redevelopment of the Ryecroft for the benefit of the town centre economy;
- b. Facilitate the more effective and accessible delivery of public services;
- c. Create greater operational efficiencies thereby reducing the overall burden on the public purse and optimise delivery of public services and;
- d. Improve the economic fortunes of town centre businesses by increased concentration of public services within the centre.

This report provides background information, an overview of the financial and non-financial benefits and associated risks as the context for the recommendations.

In terms of the proposed land/property transactions these will generate both capital and revenue efficiency savings which help to underpin the business case for proceeding with the project.

With regard to the historically important Guildhall the recommendation seeks to ensure that it is found an appropriate use befitting its status, location and purpose in the town centre.

1. Background and context

- 1.1 In November 2013, in-principle approval was given for officers to work with key partners in the preparation of a full business case for the relocation of staff from the Merrial Street Civic Offices (along with offices at the Guildhall and St George's Chambers), in order to facilitate comprehensive retail-led redevelopment of the Ryecroft area and to contribute towards broader regeneration objectives for the town centre.
- 1.2 Previous decisions in respect of this matter were made upon the assumption that the Civic Offices site would be required to create an overall site of sufficient size to achieve the desired scale and mass of retail development to create a more credible retail offer in the town centre. A separate report in respect of Ryecroft is included on this agenda, but in summary it is proposed that the Ryecroft site (which comprises the former Sainsbury's supermarket, Civic Offices and the associated car parks) will be redeveloped by Henry Davidson Developments (HDD) who were chosen as preferred developer in December 2014. These two projects are intrinsically linked and the new

Hub is scheme-critical for the delivery of Ryecroft. It became clear that only by including the Borough Council offices within the scheme site area could the required scale and mass of development be achieved and a change to the town centre economy be realised. Members will recall insisting that this underpinning rationale had to be demonstrated along with a robust business case for the provision of new Civic Offices accommodation (that demonstrated value-for-money).

- 1.3 It was recognised that some partners and other public and third sector organisations operating within the Borough had property portfolios which were dispersed and did not fully support service priority outcomes. All have ageing properties suffering varying degrees of obsolescence, under-occupancy, a growing backlog of maintenance requirements and unrealised latent value. These properties are generally located beyond the town centre and add little to the economic prosperity of the town.
- 1.4 In recent years, progress has been made in rationalising customer contact points in Newcastle at the Guildhall, however between the Borough and County Councils there still remain five town centre public access points. The creation of the Guildhall customer contact centre provided the stimulus for improved partner co-locational arrangements but its capacity is constrained and there remains considerable duplication of property / staff resources at other locations. The business case set out to consider the scope to enhance co-location of, and access to, customer services in respect of Borough Council, County Council and Police services which in turn will address property issues such as:
 - A reduction in property maintenance and running costs;
 - Money wasted on duplication of assets;
 - Optimum use of offices space;
 - Existing obsolete property assets facilitating silo working and acting as a barrier to change and more co-ordinated, multi-agency, service delivery approaches.
- 1.5 A number of local public service providers are currently located outside of the town centre. These services are less accessible to the general public and they contribute nothing to the economic prosperity of the town centre, in terms of both staff and visitor footfall and direct expenditure.
- 1.6 Your officers, together with partner colleagues at the County Council and Police have considered how their services can be accommodated more effectively and efficiently in the future. Various options were considered at an outline business case stage which led to a detailed business case being worked up for a new 'Public Sector Hub'.
- 1.7 The outline business case dealt with possible alternative locations for a Hub, established the scope of the organisations, together with the property assets to be included within the final business case and includes within its scope the following NBC / SCC owned properties (see appendix A for map showing property locations).

Newcastle-under-Lyme Civic Centre (NBC) Merrial St, Newcastle, ST5 2AG
Registrars Building (NBC owner / SCC tenant) - 20 Sidmouth Ave, Newcastle, ST5 0QN
Guildhall (NBC) - High Street, Newcastle, ST5 1PW
Rooms 1-10, St. Georges Chambers (NBC) - Merrial St, Newcastle, ST5 2AE
Seabridge Centre (SCC) - Ash Way, Newcastle, ST5 3UB
Newcastle Library (SCC) - 47 Ironmarket, Newcastle, Staffordshire ST5 1AT
Former Orme Centre (SCC) – Orme Road, Newcastle ST5 2PB
Hassel Street Offices (SCC) – Hassel Street, Newcastle ST5 1AG

- 1.8 An assessment of potential Hub sites in the town centre was undertaken and a preferred option identified, namely the former St. Giles and St. George's school located next to the Queens Gardens and near to Newcastle Bus Station.
- 1.9 Members previously resolved that the detailed business case for the Hub project should focus on the following three potential options:
- Option 1, 'Do minimum' : The partner authorities stay as they are but invest to ensure that the current office stock is brought up to satisfactory standard and then maintained in that condition;
 - Option 2, 'Full Hub' : To consolidate SCC / NBC / Police services in to a purpose built town centre development;
 - Option 3, 'Mini Hub' : Consolidate SCC (partly*) / NBC / Police services in to a purpose built town centre development.
* i.e. excludes the 'commissioned services' - Families First, Independent Futures, Youth Offending and SSOTP – who would be relocated in alternative accommodation rented by SCC
- 1.10 For the Ryecroft redevelopment to go ahead then, Option 1 has to be discounted as the Ryecroft project requires the closure of the Newcastle Civic Offices (nevertheless the analysis and modelling has provided useful comparative information that highlights the medium to long term costs that would arise if the status quo were to be maintained).
- 1.11 It should be noted that the partners do not own suitable alternative office accommodation in the town centre in a single location and any multi-site option was discounted on the basis that it would be inherently more inefficient and costly than a single-site proposition. The feasibility study also concluded that there is not enough private / third party supply of offices, on a single-site basis, to meet known/forecast requirements.
- 1.12 The only option capable of providing the required accommodation for all parties is Option 2 (Full Hub) although it should be acknowledged that Option 3 (Mini Hub) would also be capable of meeting the Borough Council's requirements and achieve future efficiency savings. Nevertheless the financial modelling was undertaken for all three options in order that a sound business case could be demonstrated.
- 1.13 The Mini Hub (Option 3) was considered due to the possible requirement for SCC to provide rented offices to house future commissioned services. The result of the detailed business case evaluation of this option suggests that the County Council is likely to conclude that from a financial, economic and customer service perspective, option 3 should be discounted. It is important to note that this option has proven to be less financially attractive to this Council. Members are advised that the County Council decision in this matter will have been made by the time of your meeting thereby removing any uncertainty in this regard.
- 1.14 The Full Hub (Option 2) provides the greatest level of revenue savings across the three options. It enables the partners to reduce their combined accommodation by 68% of current floor space (across the three partners), thereby reducing long-term public sector expenditure and helping to safeguard front-line public services.

1.15 As part of the detailed business case, an options appraisal was undertaken using the approach and techniques previously adopted for the County Council's Staffordshire Place project. This process looks at three key factors;

- A. Cost/Affordability
- B. Non-Financial Benefits
- C. Risk

1.16 It was agreed at an early stage of the project that each of the three main partners would determine its own accommodation requirements and be responsible for their respective proportions for the full 60 year life of the building. Members may recall that architects were commissioned to prepare an indicative building design to reflect these requirements in order to confirm a building cost estimate for the purposes of financial and affordability modelling.

1.17 It is intended that NBC (and SCC) staff will operate within an agile working model that will optimise utilisation of the new building. This means that 6 workstations will be provided in the new hub for every current 10 members of staff and appropriate investment will be made in ICT/telephony equipment to enable staff to work in a more flexible and productive manner. This follows the approach successfully implemented at Staffordshire Place and in many other local government and private sector organisations. This shift in organisational ethos can be reflected in the maxim "Work is something you **do** rather than somewhere you **go**". This will require implementation of a whole-organisation cultural change programme prior to occupation in any new Hub building.

1.18 Taking account of the proposed reduction in workstation numbers outlined above, the space to be provided within Option 2 (Full Hub) can be broken down as a percentage (which has been used to estimate the proportionate cost to each of the partners (of the indicative building costs only) as part of the financial/affordability modelling) as follows;

Authority	Option 2 Full Hub	Proportion of capital cost of construction
SCC	55%	£7,556,785
NBC	34%	£4,631,620
PCC	11%	£1,511,595

1.19 For each of the three options, a combined "whole-life cost" model was developed which took into account all the property-related costs of ownership, in respect of NBC and SCC as property owners and also Staffordshire Police and NHS (SSOTP) as tenants. This combined model identified the most economically advantageous option from the overall public purse. The whole life cost model includes both Capital and Revenue considerations over a notional asset life of 60 years.

1.20 An estimated total combined cost (Net Present Value – a calculation that compares the amount invested today to the present value of future cash) of the three options was calculated over a 60 year period; this identified Option 2 to be the most financially advantageous, with Option 1 the most expensive. A financial summary is set out in the table below.

Newcastle Hub - Summary of all Options			
	Option 1 - Do Minimum (000's)	Option 2 - Full Hub (000's)	Option 3 - Mini Hub (000's)
Net Present Value based on Costs, Revenues and Receipts (60 Years Model)	100,803	61,582	64,921

(Net Present Value - a calculation that compares the amount invested today to the present value of future cash)

1.21 Included within the whole life cost models are the total up-front capital costs for the construction works as follows;

- Option 1 Do Minimum - n/a
- Option 2 Full Hub - £13.7 million
- Option 3 Mini Hub* - £12.3 million

*Included in Option 3 costs is an amount for the fit-out costs for the required rented accommodation for SCC's commissioned services.

1.22 Whilst NBC's contribution towards building costs is estimated to be around £4.6m (34% of £13.7m), the overall capital costs for Option 2 (Full Hub) amount to about £6.1m as detailed below:-

Capital Costs	Amount £
New Build Costs (see para. 1.17)	4,631,620
Project Delivery Costs	332,790
Equipment	188,320
Relocation	57,200
I.T. (Capital Only)	917,500
TOTAL	6,127,430

1.23 The models and indicative building design have been developed on the following key assumptions: -

- Medium quality accommodation – BREEAM (Building Research Establishment Environmental Assessment Methodology) “Very Good” & Energy Performance Certificate (EPC) rated B;
- Spatial requirements are based on a 6:10 desk ratio (to be facilitated by the implementation of a cultural change programme supported by ICT investment which has been included within the financial model);
- No on-site staff or member parking will be provided, although limited visitors, disabled and Police ‘first responder’ vehicles will be provided for;
- A programme of disposal (freehold and/or leasehold) will ensue in respect of property vacated by staff moving to the Hub;
- Costs of financing for both new build and existing backlog maintenance have been included (see section 9, financial implications);
- Communal space for reception, meeting rooms and break-out areas will be provided in the central reception area of the new hub.

The models did not include an assessment of:

- The likely economic benefits of centralising services and staff into town centre;

- The costs associated with a rationalisation of front line service delivery;
- The costs associated with a rationalisation of support services;
- Speculative space provision for new or existing partners.

- 1.24 The whole life cost model exercise identified that Option 2 'Full Hub' is the most economically advantageous over the 60 years lifetime of the building. As indicated above it seems likely SCC will decide that Option 2 (Full Hub) be chosen, as it offers greater financial savings, as well as non-financial benefits when compared to the other options and that the savings and benefits significantly outweigh the potential risks that this option is subject to.
- 1.25 The Full Hub offers the opportunity for NBC, SCC and Police (and the County Council's commissioned services) to work closer together in terms of operational service delivery whilst sharing the support service functions which offer significant savings and represents best value for money for the overall public purse.
- 1.26 Each of the options have also been assessed for affordability by comparing the average annual required budgets against existing (based on year 2014/15) budgets. It is assumed that each authority is entirely responsible for expenditure incurred on their exclusively occupied areas and contributes proportionally to communal areas within the new Hub. As indicated earlier, for Option 2 (Full Hub), the Borough Council will be required to contribute 34% of the overall costs.

2. Issues

Affordability

- 2.1. Members need to be satisfied about the affordability of the Civic Hub in the context of the Ryecroft scheme. Critically important considerations in this regard are:
- The cost of the new Civic Hub and the proportion of this that the Borough Council will need to bear;
 - The annual cost savings to the Borough Council consolidating its office accommodation in the new Hub;
 - The financial offer from HDD in respect of the overall Ryecroft site and the likely proportion of the receipt that the Borough Council would expect to receive (see separate report elsewhere on this agenda).
- 2.2 The key question is whether the Borough Council can afford its proportion of these capital costs taking account of revenue-related implications too. A complex financial model has been assembled in order that all known and anticipated property-related costs can be fully compared across the three options under consideration. These costs have been reviewed against the backdrop of existing budgets in the chosen baseline financial year of 2014/15. A summary of the key information is provided in the table below. It is important to note that for financial modelling purposes it has been assumed that each party would borrow their respective share of the capital funding requirement to build and fit-out any new hub building. (See section 3 below for the likely preferred approach).

Newcastle Borough Council Affordability Model (NO NPV No Adjustments)	Total Costs (£'000) (Years 0 - 60)	Costs (£'000) Yr 0 - 10	Costs (£'000) Yr 0 - 20	Costs (£'000) Yr 0 - 30	Costs (£'000) Yr 0 - 40	Costs (£'000) Yr 0 - 50	Average Yearly Cost (£'000)	Total Costs (£'000) (Years 0 - 60) - NPV of Model Post
Option 1 - Do Minimum	115,178.42	26,486.94	44,415.55	61,894.47	79,823.09	97,694.50	1,888.17	57,422.99
Option 2 - Full Hub	82,151.12	14,924.26	28,539.83	41,943.59	55,557.27	69,199.34	1,346.74	38,824.73
Option 3 - Mini Hub	85,567.56	15,488.64	29,727.17	43,732.41	57,968.64	72,233.15	1,402.75	40,480.98
Budget (2014/15)	89,151.50	16,076.50	30,691.50	45,306.50	59,921.50	74,536.50	1,461.50	N/A
Adjusted Budget (includes Maintenance Backlog)	106,957.20	25,093.20	41,466.00	57,838.80	74,211.60	90,584.40	1,753.40	N/A
Difference Full Hub against Budget	-7,000.38	-1,152.24	-2,151.67	-3,362.91	-4,364.23	-5,337.16	-114.76	N/A
Difference Mini Hub against Budget	-3,583.94	-587.86	-964.33	-1,574.09	-1,952.86	-2,303.35	-58.75	N/A

2.3 From the table above it can be seen that Option 2 (Full Hub), offers NBC the largest annual saving as follows:

- The average yearly cost of Option 1 (£1,888k) less the average yearly cost of Option 2 (£1,346k) produces an average cost saving of £541k over a 60 year period.
- This saving is made up of two parts:
 - £114k - current budget saving (this can be regarded as the worst-case scenario from a revenue efficiency perspective);
 - £427k - budget requirement that would be required in the MTFs (Medium Term Financial Strategy) under Option 1.

2.4 Analysis of Option 1, 'Do Minimum', indicates that at present there is a growing maintenance backlog that has been commuted over 60 years (whole life). If the backlog was to be addressed and the building brought up to standard, then expenditure will be required of £26m over the 60 year period. In addition it should be noted that there would remain significant operational inefficiencies arising from both the dispersed pattern of buildings and the inherent problems associated with the age and configuration of the existing building stock.

2.5 Moving back to the issue of capital funding it should be noted that the NBC cost proportion in respect of the Hub (£6.1m) can be met partly from the disposal of property (including the Ryecroft site) and other capital resources (see section 9).

Timescales

2.6 It is essential that the programme timeline of the two projects (Hub and Ryecroft) are harmonised, to ensure that staff currently housed in the Civic Offices are able to relocate in a timely fashion, enabling HDD's scheme be completed to meet tenant requirements and ensure that the cost of the overall scheme is affordable and represents value for money in terms of public expenditure.

2.7 HDD's scheme includes the construction of student residential accommodation and they are seeking delivery in time for the student intake in September 2018. To enable

HDD to achieve this aim their development programme requires vacant possession of the Civic Offices site by 1 May 2017 at the latest.

- 2.8 The new hub development must therefore be complete and ready for occupation by partners by 30 April 2017. The key dates are set out below:

Sept 2015	Decision (by partners) to proceed with construction of a Public Sector Hub
Autumn 2015	Complete any necessary legal agreements between parties
Late 2015	NBC/SCC agree construction contract with Kier for the Civic Hub
Late 2015	Submission of planning application
Early 2016	Obtain planning permission
Spring 2016	Construction phase of about 13 months
End April 2017	Completion of Hub and relocation of staff from Civic Offices
Beginning May 2017	Provision of VP (Vacant Possession) of Civic Offices to HDD

Regeneration (Non-Financial) Outcomes

- 2.9 The co-location of partner organisations provides a continuation of Newcastle-under-Lyme as a seat of Local/sub-regional Government. This is considered important in terms of the town's status as a functional service centre but it also means that customers, partner agencies and any other party engaging with the partner organisations in the building will come into the town centre, thereby providing a likely level of associated local expenditure.
- 2.10 In addition, the concentration of staff and visitors into a hub within the town centre will increase footfall and therefore improve the conditions within which greater commercial activity can thrive. Option 2 Full Hub offers the most in terms of town centre footfall and therefore the most positive town centre economic effect.
- 2.11 New development (Hub and Ryecroft) will contribute to improving the image of the town centre and enhance private sector investor confidence.
- 2.12 Customer satisfaction will increase because of a "One Front Door" approach to customer service. The "One Front Door" offers convenient access to an array of more joined-up services including generic Customer Services, Revenues and Benefits, Planning advice, Library, Registrars, Police Station, family and children's services.
- 2.13 This will provide a catalyst for rethinking how the respective organisations work together to deliver services within Newcastle and facilitates the possibility of the partners using shared back office services, thereby offering even greater efficiencies. In addition, joined up multi-agency working is enhanced and encouraged by co-location in a single, flexibly designed, building.
- 2.14 Finally occupation in a new hub is expected to improve cross-organisational communication and working through co-location in a more effective working environment (e.g. meeting space, shared facilities).

Property-related implications

- 2.15 Insofar as the Borough Council is concerned, Members will appreciate that whilst much of the focus is upon the loss of the Civic Offices (to facilitate the Ryecroft

redevelopment scheme) the business case is predicated upon disposal assumptions in respect of the properties set out in section 1.7 above.

- 2.16 With regard to the Guildhall, given the historic and focal point importance of the building in the town centre – together with the Council's relatively recent investment into the building – members previously resolved that officers should consider the options for some form of public service use rather than seek a commercial disposal. To that end officers have undertaken preliminary conversations with a view to the building being used as a third-sector hub on the basis of a full-repairing lease, thereby negating the Council's capital and revenue liabilities.
- 2.17 In view of the nature and location of the current Registrar's office in Sidmouth Avenue it is considered that there is likely to be demand for some form of financial / professional services use so an outright freehold disposal is considered to be the most appropriate approach.
- 2.18 Finally with regard to the offices at St George's Chambers, it is proposed to seek a leasehold letting of these given that the Council owns the freehold of the ground floor retail shops.

Business case summary

- 2.19 As indicated elsewhere the business case is essentially an assimilation of data from a relatively complex financial model together with forecasts of both service delivery and regeneration benefits. A summary of this information is provided at Appendix D.

3. Options Considered

- 3.1. Accept the conclusions of the detailed business case (including funding proposals) and proceed with the development of the 'Full Hub', including the disposal of the Borough Council properties listed in section 1.7 on the basis described in paragraphs 2.12 to 2.14. It should be noted that the Mini Hub option would deliver a significant number of beneficial outcomes and represent a cost-efficient option for this Council. Nevertheless it would not represent such good value for money as the Full Hub.
- 3.2. Not to proceed (essentially the "Do minimum" option) which will;
- Prevent the comprehensive redevelopment of Ryecroft thereby denying the town centre a significant uplift in short, medium and long term economic fortunes;
 - Require relatively high levels of capital and revenue expenditure to maintain existing property stock in the medium to long term;
 - Miss the opportunity for making operational revenue budget savings thereby requiring alternative efficiency savings from public services.

4. Proposal

- 4.1 To proceed with partners in the procurement of a new Civic Hub on the basis described in this report including the implementation of a whole-organisation cultural change programme and the disposal of the properties referred to herein.

5. Reasons for Preferred Solution

- 5.1 It enables delivery of the Ryecroft redevelopment scheme for the benefit of the town centre economy.

- 5.2 It enables the establishment of a single front door for the public to effectively and conveniently access a wide range of public services.
- 5.3 It enables the establishment of more co-ordinated and efficient multi-agency working practices thereby offering enhanced customer experiences.
- 5.4 It enables a significant reduction in property-related capital costs borne by the respective public sector partners.
- 5.5 It enables a significant reduction in the property-related revenue costs of the respective public sector partners thereby protecting front-line public services.
- 5.6 It will provide longer term opportunities to achieve operational efficiencies between the respective public sector agencies housed in the building.
- 5.7 It will increase footfall from staff housed in the building thereby benefitting town centre businesses through increased local expenditure.
- 5.8 It will enhance the appearance of key town centre sites thereby increasing confidence in private sector investors.
- 5.9 It will free up under-utilised public sector assets for re-use or redevelopment to provide much-needed housing, employment or other activities.

6. Outcomes Linked to Sustainable Community Strategy and Corporate Priorities

- 6.1 Implementation of the Civic Hub project will contribute positively towards the corporate priority relating to “Borough of Opportunity” by both enabling and directly delivering significant investment and job outcomes for the benefit of the local economy.
- 6.2 It will enhance delivery of more effective and efficient services on a more co-ordinated, multi-agency, basis consistent with the key objectives associated with being a Co-operative Council.

7. Legal and Statutory Implications

- 7.1 The proposal is consistent with the well-being powers of the Local Authority as conferred by the Local Government Act 2000 (as amended).
- 7.2 The Council is obliged to achieve ‘best consideration’ when disposing of any property assets in accordance with S.123 of the Local Government Act 1972 (as amended).
- 7.3 The Council is under a duty to achieve best value / value for money in the ways that it procures goods and services.

8. Equality Impact Assessment

- 8.1 See Appendix B

9. Financial Implications

Capital Budget

- 9.1 As referred to earlier the Council’s capital contribution to a Full Hub option would be £6.1m. Whilst the financial and affordability modelling has assumed that the capital costs would be funded from borrowing the proposal is that this would be funded as follows:-

Funding Option	Amount £'m	Detail
Capital Receipts from the disposal of property assets.	3.5	This includes the Civic Offices and the Borough Council's share of some of the other land and buildings within the scope of this project
Capital "programme" already earmarked for the Civic Offices, St Georges Chambers and the Guildhall	0.7	Funded by current Asset Management Strategy
Capital Receipts from Right to Buy sales	0.7	Based on projected receipts in 2015/16 and 2016/17
Review of Current Capital Programme	0.5	Savings and funding no longer required
Capital Reserve	0.7	This would be "borrowed" internally with repayments to the reserve made via the revenue savings from the Civic Hub
TOTAL	6.1	

Revenue budget

- 9.2 Upon moving to the new hub the partner authorities will benefit from annual revenue savings which in NBC's case amounts to £541k. These savings will come from the following areas: NNDR (Business rates), utility costs, planned and responsive maintenance, and caretaking and cleaning within the current budget. This figure can be broken down into two elements:
- (a) an actual cashable saving of £114k p.a. when comparing forecast running costs of the new hub against the actual revenue expenditure in the 2014/15 baseline year and;
 - (b) the requirement for an additional £427k p.a. budget provision in the MTFS for backlog maintenance work (i.e. this provision would not need to be made).
- 9.3 In order to deliver the Hub project, NBC needs to provide both staff and financial resources. The known financial resources, such as additional ICT investment and project management capacity, have been included within the financial modelling assumptions. The less quantifiable resourcing requirement relates to the staff capacity to implement the whole organisation cultural change programme, which would be implemented over the next 18 months. At this stage it is anticipated that this will need to be prioritised within existing work programmes.
- 9.4 Included within the whole life costing models are a number of likely savings to be achieved by co-locating; these are mainly related to Facilities Management. However it has become clear through consultancy work undertaken that there is scope to yield even further savings by looking to provide communal services amongst the partners located within the building. Officers will review such matters during the building phase of the new hub and report back to members as appropriate.
- 9.5 It is important to stress the point that the financial implications of this project have emerged from a complex modelling exercise and officers are reasonably confident that the minimum cashable efficiency referred to in paragraph 9.2 will be achieved with the expectation that even greater efficiencies will be driven out of the project as it moves forward. Nevertheless it must be acknowledged that there is a considerable amount of work that will need to be undertaken to move the project from this stage of

indicative designs and financial models to a fully designed/deliverable building and service delivery proposition (including the precise approach to scheme delivery). In order to ensure that value for money and cost-efficiency is achieved in the next stages the project will be subjected to strict project management and governance arrangements to ensure expenditure remains within budget.

10. Major Risks

10.1. See below and Appendix C – Key Risks Log

10.2. Option 1 - Do Minimum

- The regeneration of the Ryecroft area is curtailed due to the failure to deliver the vacant possession of the Civic Centre site.
- Current budgets will not cover the expenditure required to fund work to correct the property maintenance backlog.
- The existing property stock in Newcastle is not energy efficient and will cost more to own and operate as the energy costs increase.
- Failure to improve the coordination of service delivery increases the risk that vulnerable people may fall through “service gaps”.
- Service delivery may decline as existing property stock becomes technically obsolete. In addition some existing buildings are not designed to provide full disabled access therefore increasing the risk of legislative non-compliance.

10.3. Option 2 – Full Hub

- Possible negative public/media intervention could result in council decisions being reversed and financial losses being incurred.
- Each authority is liable for the entire cost of their allocation of space within the proposed building. The risk of void accommodation occurring in NBC part of full hub due to future rationalisation of services.
- Any delay in implementation of agile working and Electronic Document Record Management System and possible adverse reaction from staff.
- On-site staff car parking will not be provided for any employee. Employee relations may be affected if employee parking policy changes.
- Failure to deliver vacant possession of Civic Offices site (related to the Ryecroft project) could result in liquidated damages being incurred. This risk can be mitigated by transferring some of the risk to the Building Contractor.
- Potential loss of NBC revenue income from car parking arising from Ryecroft car parking provision and associated charging regime.

10.4. Option 3 – Mini Hub

- This option would result in significantly greater cost for the Borough Council.
- The Borough Council would become the largest occupier thereby assumed to take on the lead developer role and incurring the risks associated therewith in terms of commissioning the design team and contractor.
- Potential loss of NBC revenue income from car parking arising from Ryecroft car parking provision and associated charging regime.

11. Key Decision Information

11.1 This is a key decision.

12. Background papers

- 12.1 The project is supported by a comprehensive and complex series of financial modelling spreadsheets.

13. Appendices

Appendix A – Offices in project scope and their locations

Appendix B – Equality Impact Assessment

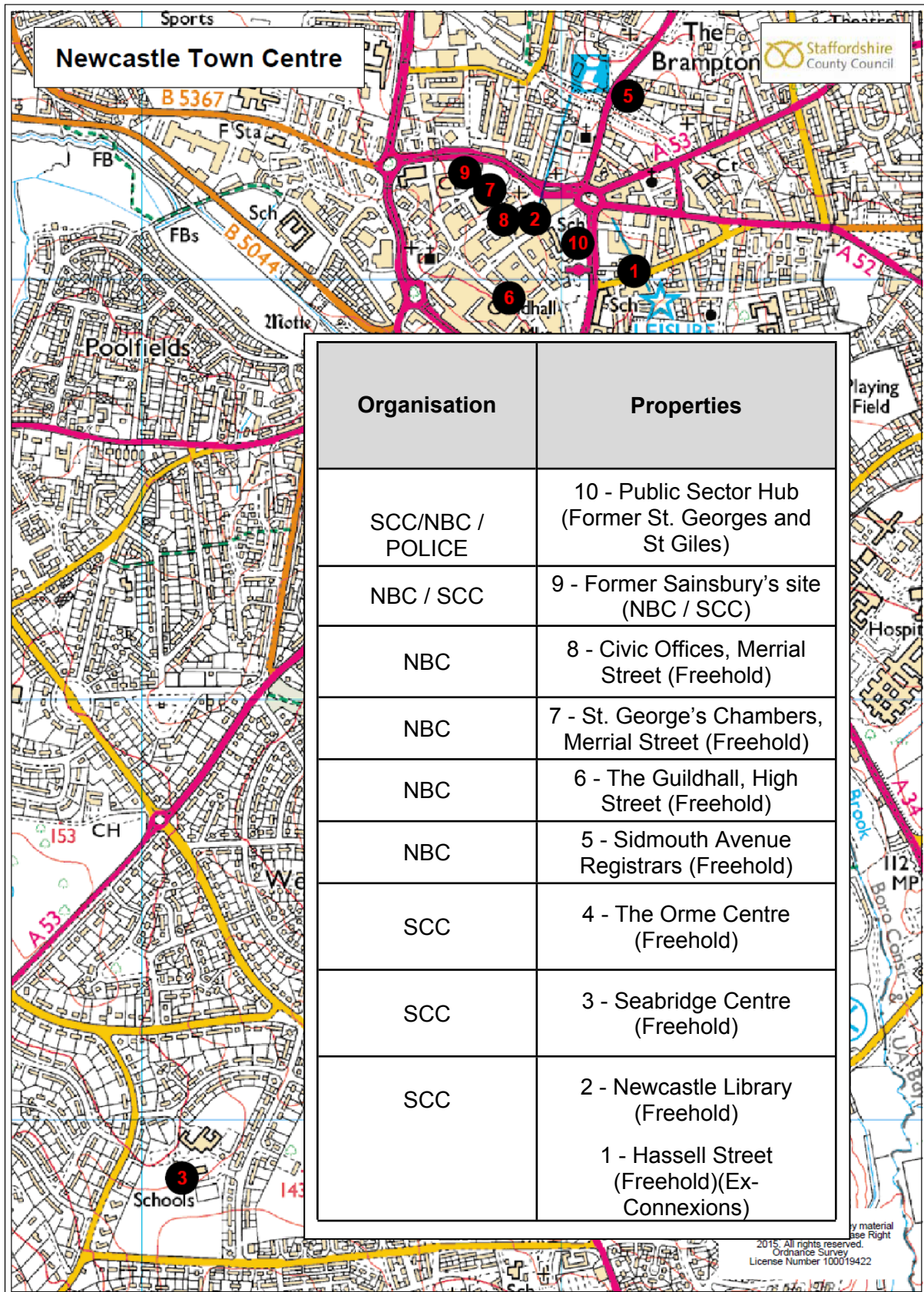
Appendix C – Key Risks Log

Appendix D – Executive summary of business case analysis (available on request)

14. Earlier Cabinet/Committee Resolutions

27.11.2013	Report to Council - authority to demolish and proceed with Ryecroft marketing, authority to work with partners on business case for Civic relocation
28.07.2010	Report to Council - Freehold Acquisition of Sainsbury's and establish whether there is a business case to relocate to alternative premises

Appendix A – Offices in project scope and their locations



Appendix B – Equality Impact Assessment

	Impact Assessment	
	+ve/neutral/ -ve	Further information degree of impact and signpost to where implications reflected within the report / main assessment
Impact on access to more good jobs and increased economic growth	+ve	The town will continue to harness (and add to) white collar spend in the town
Supporting healthier living and independence	+ve	The hub will allow services to offer an enhanced service engaging with people on more preventative approaches to living increasing healthier living
Impact on feeling safer, happier and more supported in and by the community	+ve	The Hub is intended to encourage community groups to come together and build relationships with both Authorities and third sector groups
Maximising the opportunities for a good quality physical environment	+ve	The Hub represents a significant saving for tax payers and offers a building with a long life span ensuring maximum value for money
Maximising the use of community property portfolio	+ve	The Hub is intended to encourage community groups to come together and build relationships with both Authorities and third sector groups
Addressing issues affecting rural areas?	Neutral	
Equalities impact		
Age	+ve	If the Ryecroft Development is to proceed it will be necessary to relocate staff from the Civic Offices so that vacant possession of the site can be given the Developer. The project has identified that there is an opportunity to create a Public Sector Hub within the town that will accommodate SCC, NBC and Police staff which will improve services, offer additional income for the town and enable management of the
Disability	+ve	
Ethnicity	+ve	
Gender	+ve	
Religion/Belief	+ve	
Sexuality	+ve	

Gender-reassignment	+ve	property portfolio in a more efficient manner.
Pregnancy/maternity	+ve	This assessment is framed around the impact of change on SCC service users and staff when the Hub is occupied. At this stage the project has developed a theoretical model which demonstrates that the site chosen can be delivered at an affordable price and meets the current operational requirements. However it is expected that through detailed design and decisions around disposal wider consultation with the public / service users will be sought either directly or through the existing planning process which will allow people to offer opinions and voice any concerns.
Resource and Value for money	The Hub offers the opportunity for NBC, SCC and Police to work closer together in terms of operation whilst sharing the support service functions which offer significant savings and represent best value for Council tax payers	
Risks identified and mitigation offered	See risk section of cabinet report [Appendix C]	
Legal imperative to change/implications (including the Social Value Act 2012)	Not applicable at this stage	

Appendix C – Key Risks log

Area of Risk	Risk Description	Likelihood	Impact	Total	Mitigation action	Likelihood	Impact	Total
Time	Kier deliver Hub later than agreed leading to liquidated damages by HDD	5	5	25	Look at whether the damages can be taken as a penalty against late delivery of the Hub - Financial risk is £550K	4	5	20
Cost	Void space issues	5	5	25	> Understand the quantum of the space risk > Indication of appetite in the area for future space requirements > Acceptance of the risk as part of sign off of business case	5	4	20
Cost	Revenue assumptions > Rates group > Mitigation & sensitivity analysis	4	5	20	> Rates will be modelled based upon agreed approach demonstrating potential outcome of change	4	5	20
Cost	Construction Inflation may continue to rise	5	5	25	> Once the business case is signed off work will be implemented to reduce the risk > Consider the Kier acting as Developer option as this would eliminate the risk	4	5	20
Cost	Adverse impact on NBC car parking income arising from Ryecroft redevelopment	5	4	20	> Negotiate with Ryecroft developer to achieve consistent charging approach > Prepare car parking strategy to optimise utilisation	4	4	16

Classification: NULBC **PROTECT** Organisational

Time	Multi-tiered governance creates delays in decision making and design	4	4	16	Establish the governance route post business case across the organisations and the extent of political involvement	4	4	16
Time	Delays created through detailed design process by Services	4	5	20	> Senior management must have overview of the challenges faced and drive down the change through operational management	3	5	15
Quality	Desk ratio not adopted before, moving from 8/10 ratio to 6/10 impacts upon teams	5	5	25	> Hiring of experienced business designer to go through process with the teams > Discuss with other Authorities that have already adopted the process	5	3	15
Quality	Change fatigue amongst the business	5	5	25	> Look at what change has been implemented previously and lessons learnt from this > Minimise the impact of change through clarity from the outset	5	3	15
Quality	Kier relationship not yet established and dynamics not yet understood	4	4	16	> Creation of Heads of Terms and governance process to reflect the extent of learning that will be required	3	4	12
Quality	The approach to the design is driven by cost which may result is the levels of quality being not at a premium in comparison to the original view	4	4	16	> Ensure all requirements of the services are secured through the detailed design process and where the costs spikes a view taken both operationally and strategically	4	3	12
Time	Internal availability of resource to deliver set up of development	4	5	20	At this point the best people to deliver would be internal staff, if not employment will be sought externally	2	5	10

Classification: NULBC **PROTECT** Organisational

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Quality	Reputational issues (Potential criticism / Housing may be required)	4	5	20	> Managed through comms strategy and stakeholder analysis - Lessons learnt through similar projects elsewhere	2	5	10
Cost	Standard development risks > Ground conditions > Planning requirements	4	5	20	> All work is mapped out and costed > All work is mapped out in terms of critical delivery	2	5	10