

## BABERGH DISTRICT COUNCIL

<b>From: Chief Executive</b>	<b>Report Number: BOS/17/37</b>
<b>To: Overview and Scrutiny Committee</b>	<b>Date of meeting: 19 March 2018</b>

### **1. RECOMMENDATION**

- 1.1 Overview and Scrutiny Committee to consider the report and decide what recommendations, if any, that they may wish to make.

### **ALL TOGETHER PROGRAMME**

This report is provided as a summary of the All Together programme. It details, in particular, the financial position for both Councils following the move to Endeavour House, the opening of the new customer access points in Sudbury and Stowmarket; and the opening of the touchdown locations across both districts. In addition, attached is a copy of the Councils' submission to the recent iese Public Sector Transformation Awards which provides wider detail about the impact of the full All Together programme.

### **Financial Summary**

The accommodation changes (including moving to Endeavour House, the creation of enhanced 'one stop shops' for customers in Sudbury and Stowmarket, the creation of a single call centre and a network of seven touchdown points) will deliver savings of approximately £5.8m between both Councils over 10 years (i.e. the term of the lease at Endeavour House).

### **1. Background**

- 1.1. The decision to move to Endeavour House and agree the principles of the emerging Public Access Strategy was taken at Full Council in September 2016. The aim of the Public Access Strategy was to transform the Councils services to be more efficient and reduce costs to both Councils and the public. This decision supports the delivery of the following specific Joint Strategic Plan aims:
- (a) More efficient public access arrangements
  - (b) Digital by design
  - (c) Making best use of land and buildings across the Suffolk system
  - (d) Community led solutions to deliver services and manage assets

2. **Original options appraisal numbers per report in September 2016**

2.1. At the time of writing the options appraisals the current and projected costs associated with the old sites were as follows:

Description	Hadleigh		Needham		Total	
	Revenue Costs £,000	Capital Costs £,000	Revenue Costs £,000	Capital Costs £,000	Revenue Costs £,000	Capital Costs £,000
Annual Running Costs	631		453		1,084	
Catch-Up repairs		365		1,778		2,143
ICT upgrade Costs		500				500
Re-modelling existing building to modern standards		1,700		1,700		3,400
<b>Total</b>	<b>631</b>	<b>2,565</b>	<b>453</b>	<b>3,478</b>	<b>1,084</b>	<b>6,043</b>

2.2. The estimated costs of the shared accommodation in Endeavour House option in the report were as follows:

Description	Revenue Costs £,000	Capital Costs £,000
Annual Running Costs	633	
Fit Out Costs		50
Capital Costs of 2 Satellite Offices		201
Annual Running Cost of Satellite Offices	175	
<b>Total</b>	<b>808</b>	<b>251</b>
Original costs (as above)	1,084	
Saving	(276)	

3. **Hadleigh and Needham costs compared to Endeavour House costs over 10 years**

3.1 The move to Endeavour House is expected to save the Councils in total £5.8m in revenue and capital costs that would have been incurred over a ten-year period, had they stayed in their existing headquarters. The costs below exclude the transformation costs as set out in 4.4.1 below.

Description	2017/ 2018 £,000	2018/ 2019 £,000	2019/ 2020 £,000	2020/ 2021 £,000	2021- 2027 (6 years) £,000	Total £,000
<b>Predicted HQ costs</b>						
Hadleigh & Needham costs	1,084	1,084	1,084	1,084	6,504	10,840

Less Depreciation and Impairment (this does not hit the bottom line in the budget)	(366)	(366)	(366)	(366)	(2,196)	(3,660)
Capital investment (2.1 above)	6,043					6,043
<b>Total</b>						<b>13,223</b>
<b>Future Costs (Move to EH)</b>						
Endeavour House running costs (4.3.1 below)	295	737	758	748	4,020	6,558
One Off Move Revenue Costs (4.4.2 below)	498					498
One Off Move Capital Costs (5.1 below)	335					335
<b>Total</b>						<b>7,391</b>
<b>Total saving over 10 years</b>						<b>(5,832)</b>

#### 4. Revenue

4.1. The revenue costs are in two parts, firstly there are the recurring costs, most of which continue over the term of the lease, except for mileage disturbance and car parking permits, which are payable for up to 3 years, shown in 4.3.1 below. Secondly there are the one-off costs which will be funded from the Transformation Fund, shown in 4.4.2 below.

4.2. The forecast costs are the latest best estimate, but they are still subject to minor change. The final position for the 2017/18 costs will be presented to Members next year as part of the outturn report.

#### 4.3. Recurring costs

4.3.1. The table below shows the total revenue recurring costs (excluding one off costs), over a 5-year period, split between move costs and transformation costs. All costs are split 50:50 between Babergh and Mid Suffolk, except the car parking permits. This is predominately a loss of income in the Mid Suffolk car parking budgets, due to staff working in the Stowmarket Customer Access Point utilising spaces that may have generated income.

Description	2017/ 2018 £,000	2018/ 2019 £,000	2019/ 2020 £,000	2020/ 2021 £,000	2021/ 2022 £,000
<b>Move Costs</b>					
Endeavour House rent, rates and service charge (incl. Gipping Court)	160	332	352	418	484
Sudbury customer access point – increase cost - SLA with Sudbury Town Council	0	37	37	37	37

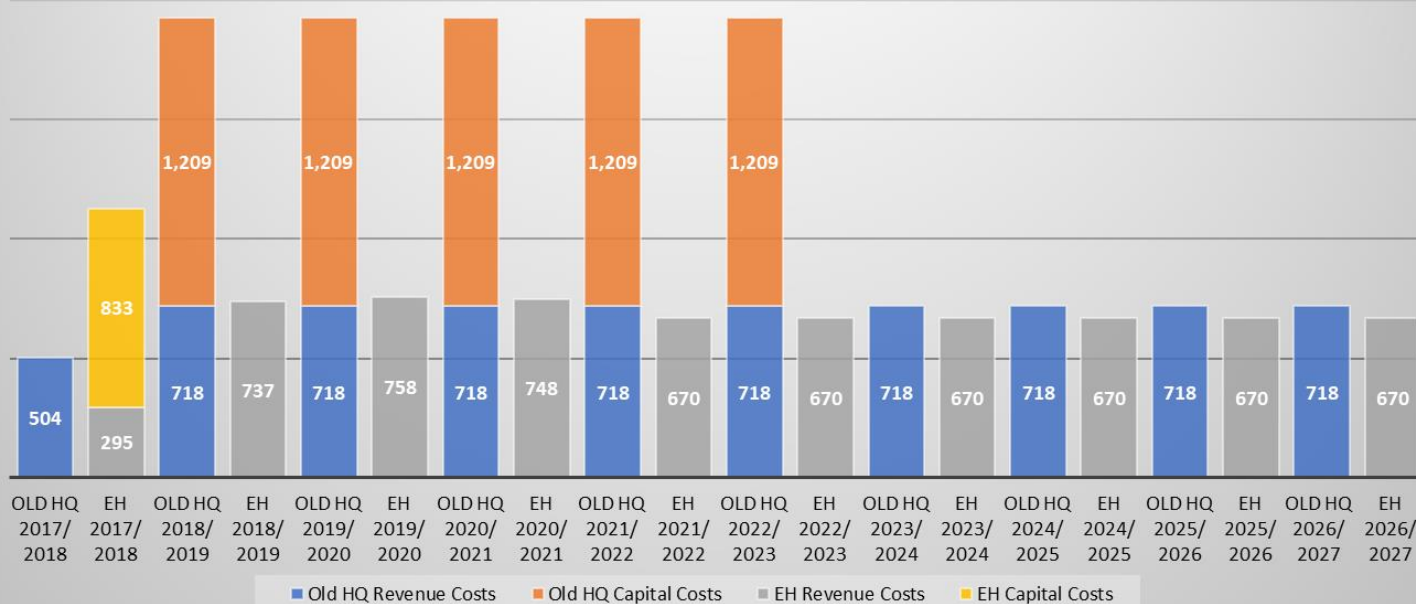
Stowmarket customer access point rent and service charge	17	34	35	36	36
Touchdown points annual running costs	9	26	26	27	28
File Storage – offsite and microfiche	4	17	17	17	17
Mileage disturbance	68	203	203	135	0
Car parking permits	10	20	20	10	0
	<b>268</b>	<b>669</b>	<b>690</b>	<b>680</b>	<b>602</b>
<b>Transformation costs</b>					
Telephone – including mobile phones and skype	27	68	68	68	68
<b>Total</b>	<b>295</b>	<b>737</b>	<b>758</b>	<b>748</b>	<b>670</b>

4.3.2. 2017/18 is a part year cost, with most costs starting in November 2017. The increase in 2020/21 and 2021/22 for Endeavour House rent, rates and service charge is predominantly due to an increase in the service charge. This is as agreed in the heads of terms, however, to offset some of this cost, the Councils benefited from a 10% reduction in the first year's rent. Other year on year changes are due to inflationary increases.

4.3.3. The stable position by year 5 of £670k is a much better position than the original options appraisal, which forecast running costs of £808k, as shown in 2.2 above. As per the Council report in September 2016, the annual running costs of the old HQ sites excluding depreciation and impairment were £718k, this is therefore an improvement of £48k.

4.3.4. The graph below shows the annual running costs of the Needham and Hadleigh headquarters compared to the annual costs associated with the move to Endeavour House over the 10 years to 2026/17.

## Accommodation Running Costs 2017/18 - 2026/27 £,000



### 4.4. One off Costs

4.4.1. The table below shows the one-off revenue costs split between move costs £498k, and transformation costs £391k, totalling £889k. The transformation costs are not a direct result of the move, as they are costs the Councils would have incurred to help deliver the digital by design aim, set out in the Joint Strategic Plan.

4.4.2. The £815k forecast for 2017/18 is to be split 50:50 between the Councils and funded from their Transformation Funds.

Description	Actual 2016/17 £,000	Forecast 2017/18 £,000	Total £,000
<b><u>Move costs</u></b>			
Endeavour House move costs		50	50
Stowmarket customer access point move costs		10	10
Touchdown points move costs		6	6
Customer access points IT kit		7	7

<b>Description</b>	<b>Actual 2016/17 £,000</b>	<b>Forecast 2017/18 £,000</b>	<b>Total £,000</b>
SCC Project engineers – deployment		8	8
SCC Project Engineer –Infrastructure CAP and TDP		6	6
Project support	36	108	144
Move floor printers		3	3
Communications		14	14
Homeworking kit		40	40
Car parking settlement		185	185
Redundancy costs		25	25
<b>Total move costs</b>	<b>36</b>	<b>462</b>	<b>498</b>
<b><u>Transformation costs</u></b>			
Scanning and microfiche	21	158	179
Single telephone number one off set up costs and licences	3	6	9
USB headsets		20	20
Decommission Hadleigh server room		28	28
Project Managers	14	136	150
Training – agile working		5	5
<b>Total transformation costs</b>	<b>38</b>	<b>353</b>	<b>391</b>
<b>Total</b>	<b>74</b>	<b>815</b>	<b>889</b>

## 5. **Capital**

- 5.1. The table below shows the capital budget, the forecast cost and the spend to date. The forecast cost of the move as shown below is £335k compared to the £6,043k the Councils would have incurred if they had stayed in the Hadleigh and Needham premises, as shown in 2.1 above. Again, the one-off costs are split between move costs, and transformation costs. These transformation costs are to be split 50:50 between the Councils. The additional £77k transformation cost pressure is capital spend that has been brought forward from future years because of the move.

	<b>Spend to date (incl 16/17 and 17/18) £,000</b>	<b><u>Budget</u> £,000</b>	<b><u>Forecast</u> £,000</b>	<b><u>Additional pressure/ (Saving) £,000</u></b>
<b>Move Costs</b>				
Fit out costs of Endeavour House		50	56	6
Fit out costs of Customer Access Points	30	202	155	(47)
Fit out costs of Touchdown Points	17		86	86
Data circuits – Customer Access Points			13	13
Data circuits – Touchdown Points	5		25	25
<b>Total Move Costs</b>	<b>52</b>	<b>252</b>	<b>335</b>	<b>83</b>
<b>Transformation Costs</b>				
SCC Design Engineer - move processes to SCC	25		60	60
Genesys licences	82	65	82	17
Scanning Equipment & Software	10	20	20	0
Tablets and laptops for staff and members	89	190	190	0
<b>Total Transformation Costs</b>	<b>206</b>	<b>275</b>	<b>352</b>	<b>77</b>
<b>Total Pressure</b>	<b>258</b>	<b>527</b>	<b>687</b>	<b>160</b>