

Report of Head of Finance**The Efficiency Plan and Key Projects****1 Purpose of report**

To advise members on the progress to date of efficiency actions in line with the agreed efficiency strategy and to agree further key property related projects to focus on in the coming months to maximise the council's use of its capital assets. The use of capital resources to generate either revenue income or reduce on going revenue costs is one of the council's financial priorities.

2 Executive summary

- 2.1 In March 2016 this committee received a report outlining an efficiency strategy and outline action plan that would enable the council to take advantage of the opportunities presented in the financial settlement of a four year funding agreement and the flexible use of capital receipts.
- 2.2 This report provides an update on the work to date in achieving efficiencies for the revenue budget and proposes some key property projects that will enhance the use of the council's capital assets and provide revenue efficiencies for the future.
- 2.3 These projects are part of the detailed efficiency action plan, which in turn will be used to further develop proposals for the medium term financial plan for future years.
- 2.4 In order to ensure that the efficiency actions are focused over the medium term it is thought necessary to refresh the council's key priority outcomes for this period. These will be discussed with members over the coming months, so that any future financial plans are focused on members' priorities.
- 2.5 The key priority outcomes will be based on members' views on the direction of travel for the council they wish to see over the next four years, and for the longer term ambition of the council.
- 2.6 Once these outcomes have been established a more detailed efficiency action plan can be developed and included in both the medium term financial plan and the service plans for the coming year.

3 Appendices: None**4 Proposed action:**

The committee is invited to RESOLVE to:

- 4.1 **NOTE the progress to date on efficiencies achieved**
- 4.2 **NOTE the proposed timetable to refresh the councils key priority outcomes for the medium term**
- 4.3 **AGREE to the progression of the key property projects as detailed in section 6.5 of this report**
- 4.4 **AGREE the extra resources needed to deliver the projects as detailed in section 6.11 of this report**

5 Background

- 5.1 The council faces significant challenges in both service delivery and financial resources. The future of the financial sustainability of the council depends on how it adapts to face these challenges to remain viable for the future.
- 5.2 The council has, for the last few years, set a medium term financial plan which shows the financial position of the council over a four year period. The council has been using its reserves to bridge the gap between expected expenditure and expected income. However, these reserves are not a sustainable form of funding and a strategy and action plan to ensure the council's financial sustainability was needed.
- 5.3 The strategy and outline action plan to address this was agreed in March 2016. This will also allow the council to take advantage of the opportunities presented by the government as part of the latest financial settlement to enter into a four year funding agreement with the flexible use of capital receipts.
- 5.4 More detailed efficiency actions will be developed in line with the agreed strategy to ensure that the council's financial position is strengthened over the medium term.

6 Discussion

Progress to date:

- 6.1 The council is continually looking for ways to ensure their services are delivering value for money and are economical, efficient and effective. Over the past years there have been significant changes to service delivery costs without significant changes to the services provided.
- 6.2 However, as the medium term financial plan shows, in the coming years there is a significant budget shortfall to be addressed, and proposals for this need to be developed and consulted upon, as service delivery could be affected going forwards.
- 6.3 The type of significant changes needed take a long time to deliver; for example the crematorium project will have taken nearly 5 years from initial concept to final service delivery. So the plans for these proposals need to be considered and implemented as soon as possible to have the maximum effect on the future years' budgets.
- 6.4 Where it has been possible to review the internal operation of services which do not require external consultation, officers have been progressing changes to deliver budget savings. Below are examples of some of these areas:
 - (a) **Principal Managers (PMs) review of service delivery costs and potential efficiencies exercise**

All PMs were asked to model how a "cash limited" savings target of up to 20% would affect their service delivery options. All PMs have now completed this exercise and it is currently being reviewed to see if there are any viable options that can be pursued.
 - (b) **IT strategic review**

IT costs are a high proportion of the council's total revenue spending. A

project has been jointly initiated with East Northants Council to review the IT strategy for future years to propose significant savings on the revenue budget. This project is nearing completion and is anticipated to have a beneficial effect on next year's budgets for IT.

(c) **Environmental services structural review**

A restructure to both the staffing and working practices of the Environmental Health team has resulted in not only a significant saving on staffing costs but increased resilience in the skills and abilities of the team members. A total saving of £70k has been achieved by this.

(d) **Revenues and Benefits customer self-serve changes and structural review**

Similarly to the Environmental Health team the Revenue and Benefits team is currently planning a restructure to deliver significant staffing savings. This is the second phase of the efficiency plan for the team, the first being the implementation of new software (via a capital invest-to-save-scheme) that promotes self service and flexible working practices. A saving of £84k is anticipated for future years' budgets.

6.5 In addition to these, a number of larger property related projects have been considered and initial scoping work completed. These focus on reducing the costs of operational buildings and rationalising the non-operational properties we own that would not generate a commercial return as investments. The main current projects implemented/to be implemented are detailed below:

(a) **Vacating 20 Sheep Street**

The teams previously based in this building have been accommodated in other operational property. The savings on Business rates alone is £8,500 a year. In addition, further utility savings are being made but are not specifically quantifiable at present. This property, now empty, has the potential to be used for redevelopment or held as part of the investment property portfolio.

(b) **Transfer of identified land areas to Wellingborough Homes**

A number of areas of amenity land are currently owned by the council in areas where Wellingborough Homes have housing stock. Currently both Wellingborough Homes and Wellingborough Norse are servicing these areas, in some case duplicating costs and causing confusion amongst tenants. These areas are being discussed with Wellingborough Homes to see if efficiencies can be made by transferring ownership.

In addition to this discussion on other areas of land that may be transferred to Wellingborough Homes, as agreed by Resources committee, is progressing.

A report on these will be presented to this committee in the autumn of 2016.

(c) **Sale of Arthur Street property**

The sale of this property completed in May 2016 and a sale value of £420,000 was achieved. This was higher than the expected value and has added to the capital resources available. The garages to the rear of the property were retained as they are council owned.

This property was sold with planning permission for 12 flats. Not only has this provided the council with a capital receipt that can potentially be used to generate further incomes but also the borough with much needed housing stock from a previously commercial property.

This shows the potential benefits of this key property decision, for not only the council but for the borough as a whole.

(d) **Demolition of High Street and Church Street properties**

The property at 18 High Street is to be demolished as part of the ongoing High Street development scheme. This provides the opportunity for regeneration and development of the town centre and will save the council ongoing revenue costs such as security, repairs, valuations and business rates. The property at Church Street is being demolished due to safety reasons. However, this will provide a site for potential further development and future income.

(e) **Conversion of Croyland Hall and Abbey to residential units**

This previously operational building has now received planning permission for 14 residential units. Full costings of the conversion are being prepared as a final viability check, and a final capital bid will be submitted once these are known. This scheme has previously been provisionally agreed for capital funding. Revenue income from the rental of this property will provide a return on investment that will support the revenue budget going forwards, meeting the council's objective of using capital resources to generate revenue income. It is intended that the properties will be managed by a wholly owned council company.

(f) **Solar panels on Trafalgar House**

Solar panels have been fitted to Trafalgar house. This has mitigated some of the ongoing utility costs for Norse as occupants and there is an agreement on the income that has been generated, with an approximate share of £5,000 for the council and the same amount for Wellingborough Norse. At present that saving has been used as part of a contribution from Wellingborough Norse to assist in the operation of the Wollaston Household Recycling Centre. Future plans for similar projects on both the Waendal centre and potentially other investment properties are being investigated at present, but these are more limited than was originally thought because of restrictions imposed by Western Power as well as unsuitability of the buildings.

6.6 In addition to the above, preliminary work to review layouts and uses on some other potential property projects has been carried out. These should not only

reduce the revenue costs of our operational buildings but could also enable some further commercial opportunities by increasing our investment property portfolio.

6.7 The projects are outlined below and members are asked to consider whether they wish officers to continue to pursue the feasibility of these projects and how they should be prioritised given that resources are limited:

(a) Doddington Road Car Park site:

Gain planning permission for either commercial or residential development (depending on market need and the local plan) of the car park site at Doddington Road. Once planning permission is agreed the site can be marketed and sold producing a capital receipt that can be used to finance the following two options in part. Alternatively the site could be developed in-house to generate further investment income for the revenue budget.

(b) The Tithe Barn:

Partial conversion of the Tithe Barn heritage building (unused section) to become a customer hub, whilst enhancing the function area of the building. This will provide a central customer hub for the council's front facing services (currently housed in Tithe Barn Road office) and potentially for other partner organisations who may wish to co-locate and share premises. This would be in line with the government's "One Public Estate" programme, and could provide an income for the council.

Once Tithe Barn Road office is vacated, it could be refurbished into either high quality offices or residential accommodation to become part of the council's investment portfolio to generate a revenue income. A further feasibility study would be required to determine the best use of the site, taking into account the existing lease of the upper floors by the county council.

(c) Swanspool Pavilion and Swanspool House Offices:

Repurposing the Swanspool Pavilion to become a civic hub, including a new Council Chamber and democratic support for members, and removing the current offices and council chamber from Swanspool House. Swanspool House has recently undergone a review of its likely ongoing revenue costs over the coming years. This cost is significant as the building is nearing the end of its useful economic life. Investment in more efficient office and civic space would reduce the ongoing revenue costs of keeping the buildings fit for purpose. Some changes to the main historic house element may also be needed to ensure the building is as efficient as possible, but these will be in keeping with its current use and in line with all planning policies and regulations. Car parking will be addressed as part of this stage, to ensure that sufficient parking is maintained.

Then developing further office space adjacent to the Pavilion, and between Swanspool Annex, that can be either occupied by council staff or rented as serviced offices to other companies. Again, the more efficient offices would reduce the ongoing revenue costs of the council and could also add to investment property income if some of these offices could be let out to other organisations.

- 6.8 Initial works to ensure that the buildings and potential changes could provide the necessary space have been completed. The costings for these changes are being estimated and further work needs to be done to ensure that value for money and revenue efficiencies can be made, providing a good return on the use of the council's capital funds.
- 6.9 The development of these projects and their implementation - assuming the feasibility study shows value for money - will take a considerable amount of officer time. The current staff levels are insufficient to continue to manage this level of key projects effectively, and a fixed term increase to the resources in the property team is needed. The Principal Manager for Property requires support from a dedicated project manager with key skills similar to his own, such as technical property knowledge and surveying, to ensure that the projects both currently being undertaken, and those outlined in this report, have the necessary level of support and resources. This will also ensure that the council has at all times the relevant technical skills and knowledge it needs in house.
- 6.10 The Development Committee have also received a report on the regeneration of the town centre, which to some degree covers similar and issues related to this report. The linkages between the two potential areas of development are essential to ensure a cohesive development plan. Similarly the resources needed for this are not currently within the capacity of the regeneration team and a temporary increase to resources in this area may be needed.
- 6.11 It is recommended that the appointment of two fixed term contracts, once the need has been assessed, to support these key projects and developments is undertaken. One would be support for the Principal Property Manager for a period of no more than 3 years, and at a scale appropriate to the skills and knowledge needed. The second would be for the management of the regeneration schemes, potentially as an in-house secondment of a current staff member, with the post left vacant back filled accordingly.
- 6.12 Both temporary appointments can potentially be fully funded from capital resources, or via the reserve created for efficiencies. Once the requirements are known the posts will need to be evaluated for salary levels, and only then can the full costs be known. Members are asked to agree the increase to resources as outlined.

Developing the councils priorities for the future

- 6.13 The report to members in March set out some preliminary ideas on future corporate priorities. Members expressed the need to have further consultation before they could agree any new priorities for the medium term.
- 6.14 To this end a number of member meetings will be arranged over the summer to gain the thoughts and views of members so that the key priorities can be agreed later in the year and incorporated in the medium term financial plan and proposals for further efficiencies. Once the meeting dates have been agreed

members will be notified accordingly.

7 Legal powers

The Council is required by the Local Government Acts 1972 and 2000 to make arrangements for the discharge of its functions and Section 12 Local Government Act 2003 – the power to invest and section 1 Localism Act 2011 – general power of competence.

8 Financial and value for money implications

Effective management of urgent and important activities ensures value for money and optimum deployment of resources.

9 Risk analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Resources not deployed to match priorities described in the plan	Improvements not delivered in time or to required quality	Medium	Review of medium term financial strategy to be used to inform resource allocation
Failure to focus on the needs of the community	Inappropriate services provided Inefficient use of resources Adverse external audit and inspection reports Reputation damage	Low	Business planning and performance management arrangements

10 Implications for resources

Delivery of benefits and outcomes detailed in the plan should lead to efficiencies and increase the likelihood of attracting resources from stakeholders.

The current staffing resources are sufficient to deal with most operational issues, but as other tasks such as planning the repairs to defects at the Waendal Leisure center and progressing the sale of land in north Wellingborough use the little capacity we have, further resources to deliver major projects are needed.

11 Implications for stronger and safer communities

Delivery of benefits and outcomes detailed in the plan should increase the effectiveness of efforts aimed at forging safer and stronger communities.

12 Implications for equalities

Delivery of benefits and outcomes detailed in the plan should result in better outcomes for all people and communities served by the Council

13 Author and contact officer

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14 Consultees

Senior Management Team

15 Background papers

Medium Term Financial Plan Feb 2016.
Previous reports to this committee