

	<b>Executive – 30 May 2012</b>	<b>Agenda Item No.</b>  <b>5</b>
<b>Title</b>	Feasibility Study of Leamington Assets – Part A	
<b>For further information about this report please contact</b>	Bill Hunt Deputy Chief Executive 01926 456014 <a href="mailto:bill.hunt@warwickdc.gov.uk">bill.hunt@warwickdc.gov.uk</a>	
<b>Wards of the District directly affected</b>	Leamington Clarendon, Brunswick, Milverton	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Executive 9 February 2011 Minute number 136	
<b>Background Papers</b>	EC Harris Asset Optimisation feasibility study report and background working papers  Executive report February 2011 – Feasibility study of various WDC assets in Leamington  Accommodation Review report to Executive April 2010  Accommodation Review background and working papers  Previous Spencer Yard reports to Executive and Scrutiny Committees  Spencer Yard project papers and all background and working papers and correspondence  Royal Spa Centre report to Executive November 2009  Spa Centre Task & Finish Group reports and background papers  Customer Access in Leamington reports to Executive June 2010, June and February 2009 and One Stop Shop	

	background working papers  Bath Place report to Executive March 2010 and background working papers and correspondence  Town Hall Working Group papers and correspondence with CAB  Car Park Strategy  Asset Management Steering Group and Strategic Asset Group papers and minutes  Budget Improvement Programme and Fit for the Future reports and background papers
--	---

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes
<b>Equality &amp; Sustainability Impact Assessment Undertaken</b>	No
Not required at this stage but EIAs would be developed in response to any emerging proposals for particular assets	

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive		Author
Heads of Service	15/5/12	Rose Winship, Susie Drummond, Roger Jewsbury, Ian Coker, Jameel Malik, Tracy Darke
CMT	15/5/12	Chris Elliott, Andrew Jones, Bill Hunt
Section 151 Officer	14/5/12	Mike Snow
Monitoring Officer	15/5/12	Andy Jones
Finance	14/5/12	Mike Snow
Portfolio Holder(s)	14/5/12	Cllr. Doody, Cllr. Caborn, Cllr. Hammon, Cllr. Mrs. Gallagher, Cllr. Mrs. Grainger
Consultation & Community Engagement		
Various stakeholder meetings during production of EC Harris Asset Optimisation feasibility study		
Final Decision?		Yes
Suggested next steps (if not final decision please set out below)		

## 1. **SUMMARY**

- 1.1 This report presents the outcomes of the feasibility study commissioned in respect of selected WDC owned assets in Leamington Spa and options for the development of the study, both in relation to the specific assets and the Council's wider use of its assets, to support the delivery of the Fit for the Future programme and the achievement of the Council's Vision for the district.
- 1.2 The report is presented in two parts. The Part A report incorporates all of the information that it is considered appropriate to place in the public domain in order to inform the decision of Members in relation to the recommendations.
- 1.3 The Part B report, elsewhere on the agenda, includes those elements which it is considered necessary to deal with on a confidential basis in order to maintain commercial confidentiality. The information contained in the Part B report is considered to be the minimum necessary to meet such requirements and that report contains no recommendations. In considering the recommendations set out in this report it will be necessary for Members to have regard to information contained in both the public domain (Part A) and private and confidential (Part B) elements of the report in order to arrive at their conclusions.

## 2. **RECOMMENDATIONS**

- 2.1 That Executive notes the outcomes of the asset optimisation feasibility study undertaken by EC Harris, as set out at Appendices One to Four.
- 2.2 That Executive agrees that the Council will relocate its headquarters office accommodation from Riverside House and seek an alternative site within Leamington Spa, with the aim of using the relocation to support urban and economic regeneration.
- 2.3 That, subject to approval of 2.2, Executive agrees that a feasibility study of the Court Street/Althorpe Street area is undertaken to determine its potential as a site for the headquarters office relocation and to assess opportunities for land acquisition to support a wider regeneration scheme.
- 2.4 That Executive agrees that, irrespective of the future location of the Council's headquarters offices, a separate location will be sought for a One Stop Shop within Leamington town centre.
- 2.5 That Executive agrees that the Council should retain the Town Hall within its asset portfolio and undertake a feasibility study of potential future uses.
- 2.6 That Executive agrees that the Council will seek, at a future date, to redevelop the site currently housing the Royal Spa Centre.
- 2.7 That, subject to approval of 2.6, Executive agrees that the cultural 'offer' and activities of the Royal Spa Centre will continue to be provided within the town when the current site is redeveloped.
- 2.8 That Executive agrees that an assessment of the potential for additional commercial activities at the Royal Pump Rooms, complementary to the continued delivery of the current range of activities and services located on

site, is undertaken following the outcome of the current review of the Leamington Visitor Information Centre.

- 2.9 That Executive notes the submission of a funding bid to the Growing Places Fund, as set out in the Part B report, and agrees to continue to investigate alternative funding options to secure the best use of its assets in Spencer Yard for cultural, creative and/or commercial uses.
- 2.10 That Executive agrees to explore the potential disposal of the Packington Place car park and adjoining former Italian Club for new affordable housing.
- 2.11 That Executive agrees that a specification is prepared for the enhancement of the office accommodation at 26 Hamilton Terrace prior to letting at an increased commercial rental.
- 2.12 That Executive agrees to recommence dialogue with the Warwick District Citizens Advice Bureau in respect of their future relocation from 10 Hamilton Terrace to alternative premises.
- 2.13 That Executive agrees 'in-principle' to seek a partnership approach to the exploration of a range of property options for its existing asset portfolio
- 2.14 That, subject to approval of 2.13, Executive agrees to conduct a 'soft market testing' exercise to examine possible partnering options in parallel to a detailed appraisal of a specific option, further information on which is detailed in the Part B report.
- 2.15 That, subject to approval of recommendations 2.3, 2.4, 2.5, 2.8 and 2.14, Executive delegates authority to the Deputy Chief Executive (BH) and the s151 Officer, in consultation with the Development and Finance Portfolio Holders, to approve a maximum sum of £20,000 per recommendation from the Service Transformation Reserve to enable the specified examinations and feasibility studies to be undertaken.
- 2.16 That, subject to approval of 2.15, executive notes that if on further assessment it is established that the cost of the relevant study can not be contained within the £20,000 limit a separate report requesting utilisation of the Service Transformation Reserve will be brought to a future meeting.
- 2.17 That, subject to approval of recommendations 2.1 – 2.16, Executive notes that further reports will be presented on the outcomes of the examination of partnering options and specified feasibility studies.

### **3. REASONS FOR THE RECOMMENDATIONS**

- 3.1 Executive approved funding for a feasibility study of selected assets within Leamington Spa in February 2011. The study was primarily commissioned to build on the previous Accommodation Review, undertaken in respect of Riverside House, although it was also partly motivated by the apparent demise of the proposed scheme to relocate the Loft Theatre and regenerate the Spencer Yard area. Its aim was to investigate whether alternative use of selected WDC owned assets could potentially support the intended outcomes of the Fit for the Future programme and/or assist the Council to make its required revenue savings.

- 3.2 Following a competitive tendering exercise EC Harris, who had previously undertaken the Accommodation Review, were appointed to undertake the asset optimisation feasibility study. Their study conducted in November and December 2011 culminated in the production of a detailed Asset Optimisation feasibility study report and accompanying background papers. The Executive Summary of their report is set out at **Appendix One**, a presentation of the findings of the study as **Appendix Two**, the Benefits Case Baseline as **Appendix Three** and an assessment of future delivery options as **Appendix Four**. The accompanying background papers can be viewed at: L:\E C Harris
- 3.3 The study conclusively demonstrated, albeit at a relatively high, 'in-principle', level, that the Council could achieve financial savings /additional income from alternative uses of some or all of the assets included within the study.
- 3.4 However, the study was not aimed solely at examining the potential financial benefits that could accrue from alternative use of the selected assets but also considered 2 further interlinked and potentially complimentary strands. The first of these was the ability to use the study as a means of improving the services the Council offers to its customers, i.e. its ability to drive the delivery of better quality services through the exercise of choices around the location and use of its own assets. The final strand was whether the alternative use of assets could be used as an 'enabler' for physical, environmental and economic regeneration to further the delivery of the Council's Vision for the district.
- 3.5 The study concluded that the Council could potentially make significant progress towards the delivery of its intended Fit for the Future outcomes by considering a different approach to some or all of the selected assets. For example, the options relating to relocation of the Council's headquarters office accommodation and the establishment of a One Stop Shop, would enable a significantly different approach to be adopted to service delivery provision. Equally, the potential disposal, alternative use and/or and relocation of existing assets could be used to stimulate regeneration in the 'Old Town' area, including economic regeneration of both the Spencer Yard area and of Clemens Street and the surrounding retail areas. Alternative use of some or all of the disposed sites could also be used to stimulate housing development, including affordable housing and to strengthen the cultural 'offer' provided within the district.
- 3.6 The extent of the potential financial benefits, service delivery improvements and delivery of physical and economic regeneration and the balance between them is dependant on which of the options outlined in the study, if any, are selected for further development. The study developed a range of options for each site, some of which are highlighted in the Executive Summary, others being contained in the background papers. For each of the main assets (with one exception which is discussed at 3.11.3) the study set out a recommended preferred option, denoted by the shading of the option, as set out in **Appendix Two**. It is recommended that a number of these preferred options are agreed and/or investigated further.
- 3.7 It is worth noting that a number of the recommended options have potential interdependencies and selection or rejection of one option opens up or closes down other possibilities as to the extent of the change that could be effected through consideration of the alternative use of some or all of the selected assets.

### 3.8 Riverside House

- 3.8.1 The first of the recommendations as to options that should be pursued relates to Riverside House. The previous Accommodation Review concluded that the Council could make financial savings and changes to service delivery through more efficient use of its headquarters accommodation. It is now recommended that the Council confirms that it will actively seek to secure new headquarters office accommodation in order to realise those benefits, which the latest study affirmed and updated.
- 3.8.2 A decision to relocate to a new site will clearly be a sensitive issue for some staff. Officers will have prepared and issued a statement setting out what is being considered and why in advance of the publication of this report and will continue to liaise with the unions and wider workforce following the Executive's consideration of the recommendations and, as necessary, in the future.
- 3.8.3 The study concluded that whilst the financial benefits of relocation would be similar regardless of whether a town centre or out of town location was chosen as the future location, the relocation could be used to significantly stimulate physical, environmental and economic regeneration within Leamington. Subject to approval of 2.2 it is proposed that this message is clearly disseminated to interested stakeholders such as Leamington Town Council, Leamington Chamber of Trade and Coventry and Warwickshire Chamber of Commerce, who might otherwise have concerns that a decision to relocate from Riverside House could harm the economic prospects of the town.
- 3.8.4 The preferred option within the EC Harris study for a relocation of the Council's headquarters offices was the Court Street/Althorpe Street area where the Council already owns developable land and where opportunities appear to exist for further land assembly to enable a wider development led regeneration scheme to be brought forward rather than the simple re-provision of office accommodation. A larger mixed use development that could potentially include flexible office space, improved car parking, new housing provision, cultural re-provision (see 3.11) and supporting retail/restaurant facilities and would be a significant stimulus to economic regeneration of the Old Town retail area and the wider Brunswick ward. Such a development would also allow options for co-location with other public or private sector organisations to be further explored to examine the potential for reduced costs and/or maximum development viability.

### 3.9 Leamington One Stop Shop

- 3.9.1 Irrespective of whether recommendation 2.2 is approved it is further recommended that the Executive re-affirms its commitment to the establishment of a Leamington One Stop Shop (OSS) at a location that is separate to its headquarters offices. Such a OSS will enable service delivery to be reconfigured to the benefit of the town's residents and visitors.

### 3.10 Town Hall

- 3.10.1 The study concluded that there were limited options for alternative use of the Town Hall that would warrant disposal of the asset to a third party as. With no obvious commercial use the capital receipt that the Council would accrue would be limited. Whilst acknowledging there was potential for the building to

be developed as a voluntary sector 'hub' or community use facility, the preferred option emerging from the study is for the Council to retain ownership of the building, maximise its usage and explore alternative, income generating uses.

- 3.10.2 The study suggested that the Town Hall should be selected as the preferred location for the Leamington OSS with preliminary work indicating the feasibility of creating a new northern entrance to the building from Livery Street, which if used as the entrance to the OSS would connect the facility to the commercial heart, and car parking areas, of the town and encourage users to combine a visit to the OSS with a visit to the retail areas. Under this option the existing main entrance could be retained to serve the remainder of the building. On the assumption that the Council would relocate its democratic space to its headquarters offices, this would enable income generating activities, such as office accommodation or use of space for commercial rentals, to be undertaken on the upper floors.
- 3.10.3 The use of the Town Hall as the site of the OSS would be a departure from previous thinking which has assumed that it would be sited at the Royal Pump Rooms, allowing co-location with the County Council library service, the model used in all the other OSS's in the district.
- 3.10.4 Since the study was completed the recent events that will require the Bath Place Community Venture and the Community Arts Workshop to relocate from their current York Road site have led to a preliminary dialogue as to whether the Town Hall could be used as the site of a community hub for these and/or other voluntary sector groups. Such a use would not generate the additional revenue that might possibly be achieved from the OSS/commercial activity model set out above but might deliver other aspects of the Council's Vision.
- 3.10.5 It is therefore recommended that a further feasibility study is undertaken examining all potential options for the site and that a further report is brought to a subsequent Executive meeting.

### 3.11 Royal Spa Centre

- 3.11.1 Recommendation 2.6 relates to the Royal Spa Centre. The February 2011 report that approved the assets feasibility study also agreed to discontinue the then current review of the facility and instead instruct officers to prepare a 4 year business plan on the basis of an assumed 5% annual reduction in net costs. That work has been undertaken and a combination of targeted investment in the building, new ways of working and a revised 'offer' or programme of events is beginning to show the desired outcomes.
- 3.11.2 However, given the significant development potential of the site and the potential to work with the adjoining landowner to create a substantially larger site of increased viability, it is recommended that an 'in-principle' decision is made to develop the site for alternative use in the future.
- 3.11.3 This is the one asset for which the EC Harris study does not make a preferred option recommendation, in recognition of the history of the debate around this asset and the disproportionate impact that the current use of the site has on the baseline benefits case. This is in no way a judgement on the current operations but reflects the need for a decision on future use.

- 3.11.4 The recommended approach recognises that the cultural 'offer' available in the town and for the district would be significantly weakened were the Royal Spa Centre to cease to operate.
- 3.11.5 It is therefore recommended that rather than take the considerable financial saving that would accrue from simple redevelopment of the site, some or all of that financial benefits are re-cycled to enable re-provision of the cultural 'offer' on an alternative site.
- 3.11.6 As discussed in section 3.8 one option for exploration is whether reprovision could be made on the same site as a relocated headquarters office, providing for financial savings on back-office costs and ensuring the site, and attendant car parking, would be in use beyond office hours and into the evening and at weekends, maximising its economic regeneration potential. However, a range of alternative options exist which should be explored in detail if recommendations 2.6 and 2.7 are approved.

### 3.12 Royal Pump Rooms

- 3.12.1 The study concluded that the Pump Room site could generate additional income were it to accommodate new retail uses that complemented the existing activities offered within the building, for example an expansion of the catering offer or the accommodation of a bookshop.
- 3.12.2 Whilst it is recommended that these options are investigated further it is felt that this study should not commence until the current review of the Leamington Visitor Information Centre, commenced as part of the implementation of the previously approved Tourism Strategy, is concluded. It is further recommended that the review should also assess whether, if the Town Hall was to be agreed as the future location for a OSS, the Visitor Information Centre should be co-located with it. Clearly any such relocation to a new site would free up additional space within the Pump Rooms sites which could be used for commercial activities.

### 3.13 Spencer Yard

- 3.13.1 Members will recall that the Council's scheme to regenerate the Spencer Yard area through re-provision of the Loft Theatre within the former United Reform Church (URC) building and subsequent development of the current Loft Theatre site became unviable when the former Regional Development Agency, Advantage West Midlands (AWM) reneged on the signed contract and withdraw the funding awarded to the scheme.
- 3.13.2 The study concluded that future regeneration of the Spencer Yard area might be better pursued through retail/employment led development rather than the development of a 'cultural quarter' as originally envisaged when the AWM funding was made available.
- 3.13.3 However, since the study was concluded officers have been exploring the potential to secure alternative external funding to either revive the original scheme or deliver an amended cultural/creative activity led scheme. As a result of this work an outline bid has been submitted to the Growing Places Fund. This is a Government scheme which has allocated funding to each Local Enterprise Partnership (LEP) area, including a £7M allocation to the Coventry and Warwickshire LEP (CWLEP)

3.13.4 The CWLEP is due to have completed its initial assessment of the bids received by 18 May, with the successful bids going through to a detailed 'due diligence' assessment phase when they will be converted from outline bids to detailed bids. As the results are unlikely to be known prior to the printing of this report a verbal update on the outcome of the Council's bid will be provided at the meeting.

3.13.5 It has also become apparent through the funding assessment work that other options for bringing the unused Spencer Yard assets into use and/or for alternative use of some or all of other assets may be available even if the Growing Places Fund bid is unsuccessful.

3.13.6 It is therefore recommended that rather all options to deliver a cultural/creative activity led redevelopment, supported where appropriate by specific commercial activities are exhausted prior to examination of the employment/retail led options suggested by the study. The latter approach would put an end to any aspirations to develop a 'cultural quarter' with its potential significant impact on supporting the visitor economy.

### 3.14 Packington Place car park

3.14.1 The study considered potential options for a number of the smaller surface car parks in the town centre and to the south of the river. It concluded that in the current economic climate the Council would be best served by retaining these assets unless they could be used to further a regeneration opportunity as is the case for the Court Street car park. Although small, the baseline benefits case, demonstrates that, other than Court Street, all of these car parks are currently returning a modest profit.

3.14.2 Officers consider that retention of these car parks is currently desirable until the wider regeneration options for Court Street and Spencer Yard are finally determined. At present some additional provision in the area could assist redevelopment, particularly at Spencer Yard although the optimal longer term solution would be for development of a new multi-story car park in the vicinity of the station, serving both the station and the town.

3.14.3 The potential exception to this retention strategy is the Packington Place car park which abuts the derelict WDC owned property that was the former Italian Club. It is recommended that development of the site of both assets for affordable housing is considered. This could either deliver new Council owned stock were development to be pursued through the self-financing HRA or deliver new social housing through the W2 partnership with Waterloo Housing Group. The latter option could potentially also deliver a modest capital receipt for the Council.

### 3.15 Hamilton Terrace

3.15.1 The two WDC owned properties in Hamilton Terrace were added to the study as it progressed given their proximity to the Town Hall and Royal Spa Centre. 26 Hamilton Terrace is currently vacant whilst 10 Hamilton Terrace is occupied by the Warwick District Citizens Advice Bureau (CAB).

3.15.2 The study concluded that, whilst both properties have disposal potential that could be utilised to generate capital receipts to fund other elements of an

asset optimisation programme, in the current market it would be better to retain both assets.

3.15.3 However, it concluded that modest financial investment in the empty 26 Hamilton Terrace should be undertaken as this would have the potential to generate a higher revenue stream than would be achievable without refurbishment. Subject to the success of such a strategy the same approach could then be applied to 10 Hamilton Terrace (or indeed other non-operational assets outside of the scope of this study) as it when it became vacant. It is recommended that this approach is followed and a specification prepared pending further examination as to whether existing budget provision will allow the work to be funded through the Corporate Repair and Improvement Budget or whether alternative funding is required. If funding can not be identified within an existing budget a further report will be presented to Executive.

3.15.4 The study also recommended that rather than wait for 10 Hamilton Terrace to become vacant (either at the end of the current lease or if the occupier were to give notice) that a dialogue is recommenced with CAB with a view to assisting them to relocate to an alternative property. Although CAB have previously indicated that they do not consider the Town Hall to be suitable to their needs were any of the options outlined in 3.10 to be pursued both parties might find it beneficial to re-consider their position on such a relocation.

### 3.16 Delivery Options

3.16.1 Subject to its decisions in respect of recommendations 2.2-2.12 Executive will need to consider how to take forward an asset optimisation strategy.

3.16.2 The study examined a range of delivery options, ranging from straightforward disposal of sites to a developer, various partnership models of developing, though to self-development by WDC. Each option has differing levels of risk and reward, which are analysed in the EC Harris report and presented with details of where each have been applied.

3.16.3 Having analysed the varying options set out in **Appendix Four** it is recommended that a partnership approach is approved as the 'in-principle' delivery mechanism for asset rationalisation.

3.16.4 Officers have identified a specific form of partnering which is currently being utilised by a number of local authorities including Dudley Metropolitan Borough Council, Dorset County Council and Southend-on-Sea Borough Council. This option appears capable of delivering significant benefits to the Council through the establishment of a joint venture vehicle to deliver private sector funding, low cost procurement, risk minimisation, expertise and development capability and a mechanism to share profits on enhanced land values achieved from development sites. The model also has the advantage of flexibility so that, compared to alternative partnering models such as Local Asset Backed Vehicles, would allow any Implementation Strategy to be amended and would allow, for example, additional projects outside the scope of the current asset study to be added to a strategic approach at a later date.

3.16.5 The specific option is explored in further detail in the Part B report and it is recommended that, given the potential benefits that could accrue from this model, it is explored in detail. However, to ensure that no alternative partnering options that could potentially be of more benefit to the Council are

disregarded at this stage it is recommended that a 'soft marketing testing' exercise is undertaken in parallel with the work outlined in the Part B report.

- 3.16.6 This exercise, similar to the principle of that used when assessing whether to proceed with the proposal to establish the W2 affordable housing joint venture partnership with Waterloo Housing Group, would be used to establish if there are alternative partnering options available in the market and if so their relative merits. The exercise will enable a decision to be reached, subject to approval of recommendation 2.13, as to how a suitable delivery partner is best procured.

#### 4. **POLICY FRAMEWORK**

- 4.1 The Council's Fit for the Future framework was approved by Council in October 2010. The Fit for the Future programme, updated in the report presented to the April Executive is designed to ensure that the Council meets the challenges of decreasing finances, increasing expectations and changing demand.
- 4.2 The recommendations in this report are fully consistent with the Fit for the Future programme's principles. More efficient use of the Council's assets will enable service delivery to be reconfigured to the benefit of customers, facilitate behavioural change amongst the Council's workforce to the same end and deliver financial savings.
- 4.3 The principle of using assets efficiently and seeking regeneration opportunities is also consistent with the Council's Vision and the Sustainable Community Strategy's general focus of furthering economic, social and environmental well-being for the district and the specific focus on the town centres of Leamington, Warwick and Kenilworth to underpin and develop economic activity. The recommendations on specific assets all relate to assets within or close to Leamington town centre.

#### 5. **BUDGETARY FRAMEWORK**

- 5.1 The Benefits Case baseline, set out at **Appendix Two**, was jointly developed by the Finance team and EC Harris.
- 5.2 This demonstrates that if the Council continued with its existing operations using its current assets for the next 25 years, this would equate to a cost of some £28.6 million over that period. This has been derived from extrapolating existing Revenue Budgets for Income and Expenditure, adjusted to include known changes, and minimum Capital Investment to maintain these assets at the current standards. The cost for the 25 year period has then been "discounted by 3.5%" to rebase the figure to a Net Present Value (NPV). The NPV of a time series of cash flows, both incoming and outgoing, is defined as the sum of the present values (PVs) of the individual cash flows of the same entity. It measures the excess or shortfall of cash flows, in present value terms, once financing charges are met. The discount rate (3.5% for this model) is derived from the rate of return that could be earned on an investment in the financial markets with a risk appropriate to this Council. This means that the cost of doing nothing includes any "opportunity cost of capital".

- 5.3 Having established a "baseline" (do nothing scenario) the report goes on to evaluate each of the options. This takes into account, future revenue savings and additional/lost income, the Capital Investment required to develop the Asset and potential Capital Receipts. The costings and associated cash flow were prepared on an individual year by year basis which takes account for projects that would take more than a year to complete. Again the total costs, income and savings over the 25 years were discounted by 3.5% to a Net Present Value to compare to the Baseline £28.6 million in 5.2 above.
- 5.4 The charts in Appendix 1 (pages 14 and 15) show the Net Benefit compared to the Baseline position if all of the options were implemented. Over the 25 year period the Council could reduce its expenditure (Revenue and Capital) by some £4 million, this would increase to some £12.5 million if this were to include the option to dispose of the Spa Centre Site.
- 5.5 Whilst the Feasibility Study looks at the way in which this Council delivers its services to its customers and opportunities to promote economic regeneration, it also provides various options to realise significant savings over the longer term. The Council's Medium Term Financial Strategy forecasts 5 years forward, and when Members set the Council Tax in February of this year, it was projected that the Council would need to achieve £2.5 million in on-going savings by 2016-17. Since then a further £942,000 of target savings for the Fit for the Future programme have been built into the 2012-13 budgets and 2013-14 projections as approved by Members in the Fit for the Future Report in April 2012. More effective and efficient use of the operational assets would go some way to address these savings, however, Members should recognise that the savings from the feasibility study cover a much longer time period and would require initial investment.
- 5.6 In the same report, Members also approved that the Chief Executive in conjunction with the S151 Officer approve requests for funding from the Transformation Reserve up to a maximum of £20,000 under delegated powers (Recommendation 2.15). This is subject to a suitable Business Case being brought forward. This report and supporting appendices demonstrate the finance justification for investing in a further study.
- 5.7 The Services Transformation Reserve currently has a balance of £1.165 million, with further potential calls of £711,000 identified in Table One of the April Fit for the Future Report. If these were also approved it would leave £454,000 in this Reserve, or £444,000 if Members approve this report.
- 5.8 Should the monies now requested prove insufficient a further report will be brought back to the Executive supported by a further Business case and considering funding options.

## **6. ALTERNATIVE OPTION(S) CONSIDERED**

- 6.1 A range of options exist and Executive could decide not to approve some or all of the recommendations.
- 6.2 However, as set out in Appendix Two and explained in section 5 a 'do nothing' approach, in which those assets included within the feasibility study continued to be operated as they currently are, would result in routine operating costs of £28.6m over the next 25 years.
- 6.3 The 'do nothing' approach has been discounted as the Council needs to find significant financial savings in the coming years. Whilst the financial projections within the Fit for the Future report presented to the April Executive demonstrated how the £2.5m savings required by 2016/17 may be secured there are still risks attached. If the savings are not found, the Council will need to seek savings elsewhere, which at worst may result in reducing services. It is therefore recommended that the Council seeks to make additional savings through efficient use of its assets.