

CABINET

14 October 2009

WINCHESTER SAVERS USE OF THE PARKING OFFICE

REPORT OF CORPORATE DIRECTOR (POLICY)

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RECENT REFERENCES:

None.

EXECUTIVE SUMMARY:

The Winchester Savers, the local branch of the Hampshire Credit Union has occupied part of the City Council's Parking Office since opening for business in 2007. This was always intended to be a short-term home for the credit union to enable it to establish itself in Winchester and in time move to more permanent premises.

The move of the Parking Team out of the Middle Brook Street site has brought to a head the continued occupation of the building by the credit union. It was hoped that suitable, alternative premises would have been found but the only possibility, the shared use of the Council's cash office in City Offices, on a part-time basis has been declined by the credit union as they feel it would detrimentally affect both the Council's and their operations.

Unless another building solution can be found or a compromise reached on the City Offices, the only options that are left are the continued occupation of the Parking Office or the closing down of credit union operations in the Town. Continued occupation of the Parking Office has cost implications for the Council and can only be a short term solution until the demolition of the building as part of the Silver Hill regeneration starts. It is suggested that further attempts are made to move the credit union to the City Offices but if that cannot be achieved then, regrettably, the credit union be given notice that occupation should end on 31 December 2009.

RECOMMENDATIONS:

- 1 That Winchester Savers Credit Union be allowed to continue their occupation of part of the Council's premises at 6 Middle Brook Street Winchester whilst negotiations with them to facilitate their move to the Council's cash handling facilities at the City Offices site are continued, and;
- 2 That notice be given to the Winchester Savers that should the negotiations to move to the alternative accommodation be unsuccessful then their occupation of the Middle Brook Street property will cease on the 31 December 2009, and;
- 3 That a supplementary revenue estimate be approved of up to £25,000 to be funded by commensurate savings to be found through the Revised Estimate, being considered elsewhere on this agenda.

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DETAIL:

1 Introduction

- 1.1 Winchester Savers, part of the Hampshire Credit Union, opened for business in Winchester in 2007 using part of the City Council's Parking Office premises in 6 Middle Brook Street.
- 1.2 It was always understood that occupation of this site would be for a temporary period as the building and the surrounds will become part of the Silver Hill redevelopment.
- 1.3 Given the uncertainty over the future life of the premises, the Tenancy at Will agreed with Winchester Savers allowed, in return for a subsidised rent of £10 per week, the occupation of parts of the ground floor provided that the tenancy could be terminated by either party without any previous notice.

2 Current Position

- 2.1 The office rationalisation that has been taking place over the last year includes the move of the Parking Team from the Middle Brook Street site to the City Offices in Colebrook Street. This move has been delayed over the course of this year but was completed at the beginning of the month.
- 2.2 It was never envisaged that the Winchester Savers would occupy the building once the Parking Team had vacated as it was planned to largely coincide with the Silver Hill redevelopment. As this latter project has progressed more slowly, the potential for a void period became a reality and the opportunity to let the premises has been factored into the budget. This shows an expected income to the Council of £20,000 per annum. Given the delay in the Parking Team vacating the building this expected sum for this year needs to be reduced but if the Winchester Savers are allowed to continue in occupation for a short while longer, hopefully to give time to find alternative accommodation, then this expected income will need to be reduced still further.

3 The Middle Brook Street Property

- 3.1 The premises were formerly occupied by the Trustee Savings Bank prior to the City Council taking over the property for use as the Car Park office. The layout of the premises was suitable for this use as it provides a full height glass fronted counter with offices to the rear. The counter is shared between

the Parking Team and the Credit Union and provides the required level of security.

- 3.2 The property is in the part of Middle Brook Street where the market operates mainly from Wednesday to Saturday and the frontage is masked for much of the time by market stalls which materially affect the potential letting possibilities. In addition the frontage of the property still resembles the bank it used to be rather than a normal shop window which would also restrict potential letting of this unit as a retail outlet in its present condition.
- 3.3 In the current economic climate especially with many empty smaller suites of offices available, it is considered that the letting potential of this unit especially for a limited period leading up to the Silver Hill proposed development is likely to prove difficult and that a rent free period may have to be offered to any potential occupier in order to achieve a rent of the order of the £20,000 pa originally proposed. A rent closer to £15,000 pa is considered a more achievable figure in the current market.
- 3.4 Empty property rates will be applicable to the premises for a period of 3 months from the moment the property is vacant, however should the Credit Union remain in part of the property then full rates would be applicable, amounting to £15,277 pa, subject to any rate relief. There would therefore be a cost to the Council until such time as the Credit Union vacated the premises. In addition to rent loss there are other potential costs in relation to utilities, cleaning and security which would have to be taken into account if the occupation by the Credit Union were to continue.

4 Winchester and District Savers

- 4.1 The City Council's Social Inclusion Strategy which was published in 2002, identified as one of its objectives, the establishment of a credit union to serve those living and working in the Winchester District. A voluntary study group was formed to establish the case for such a body and its likely scale and, if appropriate, carry forward the implementation. The prospective credit union was identified as WADS (Winchester and District Savers).
- 4.2 In 2003/04 the WADS study group secured the support of a part-time paid co-ordinator who assisted in establishing the feasibility and business case. The co-ordinator also carried out fund-raising and volunteer recruitment to widen the study group's skills. Early in 2005 the study group was re-formed as a Steering Committee. The main task for the Steering Committee was the preparation of the detailed papers which were required by the Financial Services Authority (FSA) to satisfy that WADS was capable of operating soundly as a bank.
- 4.3 The application was submitted to the FSA in January 2006 but this was rejected. The prime reason given was the view that WADS' reserves were inadequate to carry through to the point of profitability. FSA's correspondence also indicated concerns about the extent of WADS' expertise in retail banking operation. At the time of submission to the FSA, WADS reserves were in the region of £50,000, mostly provided by the City Council in the form of grants.

Funds from other sources proved difficult to tap. In part this was because the banking status of the credit union denies access to mainstream charitable funding and also because the Winchester District tends not to attract regeneration grants or similar government development funding streams which has been the prime finance for other independent credit unions elsewhere.

- 4.4 WADS Shadow Board eventually withdrew the FSA application and entered into exploratory talks with Portsmouth Savers Credit Union (PS) on ways in which it might be feasible to move forward in some form of association. The aim was to exploit PS's established operations and the experience within PS of expanding its common bond northwards to its adjacent conurbations. These talks developed rapidly and PS subsequently submitted a proposal to the FSA to extend its 'common bond' area to include the whole of Hampshire. In June 2007 the proposal was approved by the FSA and PS renamed itself Hampshire Savers (HS). Winchester Savers effectively became the 'branch' of HS serving the Winchester District.
- 4.5 In July 2007 a manager for the Winchester branch was appointed to steer the final phase of the development to a fully functioning credit union. Following negotiations with the City Council suitable shared premises were secured in the Parking Office in Middle Brook Street. Winchester Savers currently has over 700 members and approximately £300,000 on deposit.
- 4.6 The Winchester Savers is not a registered charity, as indicated above, but could be eligible for NNDR relief because their operation provides a valuable service to anyone but particularly many vulnerable people in the Winchester community. It provides a direct service to people to support and improve their debt and financial management and as such may be eligible for mandatory and/or discretionary rate relief. There would be a cost to the Council of awarding discretionary rate relief.

5 Proposals

- 5.1 Winchester Savers provides a very valuable banking and financial management service for many people in Winchester but particularly those vulnerable groups who often cannot access the traditional banking/finance system. With the recession continuing and unemployment expected to increase over the coming year, their continued presence in Winchester is more important than ever and having a central site to allow them to continue their good works would be extremely helpful.
- 5.2 The use of the Parking Office premises has allowed the Winchester Savers to start their operation and grow their customer base. The need to handle cash is an important part of the service but that places restrictions on how and where they work and there are a limited number of alternative premises available.
- 5.3 A possible solution being explored was the ability of the City Council cash office to accommodate the Credit Union work. The cash office was reduced in size when it was relocated within the City Offices a few years ago and now

provides only two cashiering points. The space within the cash office for both customers and staff is therefore limited. At peak times customers already have to queue on the street. Any sharing arrangement would need to be on a part-time basis avoiding peak periods for the Council's customers. Given the very limited physical space and the need to ensure separation of the activities, the discussions have concluded with the Credit Union feeling that they couldn't operate from the Colebrook Street site. There are no other obvious buildings in the Council's ownership or in the ownership of partners that would provide a secure solution.

5.4 If the Credit Union maintain their position on the use of the City Council cash office and there are no other alternative premises which become available, then the only outcomes will be either a continued occupation of the Parking Office until its closure and/or an organised winding down of the operation in Winchester.

5.5 Continued occupation of the Parking Office has cost implications for the Council. The Credit Union cannot afford a commercial rent but it is assumed that they would be paying utilities and other bills that their occupation would incur. It is also not clear how much time would be needed to close down the operations but for clarity an end point ought to be defined to ensure there is no ambiguity. It is suggested that unless continued occupation is agreed the end date by which the Middle Brook Street premises ought to be vacated should be the 31 December 2009.

6 Conclusions

6.1 The Hampshire Credit Union has become an important organisation in helping vulnerable people in our community tackle financial crises. The current recession and the pending increase in unemployment suggest that their workload and customer base will be growing and it would be very helpful if their presence in the Town Centre could be maintained if at all possible.

6.2 The letting of part of the Parking Office in Middle Brook Street to the Credit Union allowed them to have a 'shop window' in the Town and become recognised as a valuable alternative to other financial institutions many of whom are inaccessible to a growing proportion of our community.

6.3 The handling of cash in particular, places a number of restrictions on where the organisation can operate and the Council's accommodation rationalisation has created a problem for the Credit Union in the short and maybe longer term. It is suggested that the Credit Union be asked to re-consider the shared use of the City Council cash office but if their current stance is maintained then they be given notice that occupation will end at the 31 December 2009 to allow a winding-up of the Winchester operation in an orderly fashion.

OTHER CONSIDERATIONS:

7 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

- 7.1 The Credit Union provides services to all sectors of the Winchester community but, it in particular provides services to those who otherwise would not be able to access services, facilities, employment etc. This supports the Economic Prosperity of the District and, at the same time, supports the moves towards creating an Inclusive Society.

8 RESOURCE IMPLICATIONS:

- 8.1 The budget includes a projected income of £20,000 from the letting of the Parking Office premises. That income assumed a letting period commencing on the 1 April 2009 and the slippage on the move of the parking team means that this potential income has already reduced by £10,000 for the current year. If the Credit Union continue in occupation until the end of the calendar year it is envisaged that at least a further £5,000 potential rental income would be lost but it would also make it very difficult to let the building for the remainder of the year as the post Christmas period is understandably quiet. If a rent-free period also had to be offered it effectively would reduce any cash receivable this year. It is also understood that works to make the premises fit for letting would incur approximately £1,000. The premises are not in a prime location but the Estates team are confident that a letting or series of short term lets could be achieved.
- 8.2 The discretionary rate relief, if granted, would cost the Council approximately £1,000 for the three months ending on the 31 December 2009.
- 8.3 The table below provides a summary – requiring a supplementary estimate of up to £25,000 for 2009/10 and a growth bid of £5,000 for 2010/11. All growth bids will be considered by Cabinet together later in the year.

	2009/10				2010/11
	Budget £000	Current position £000	occupation to 31 Dec 2009 and relet £000	occupation to 31 Dec 2009 and not relet £000	occupation to 31 Dec 2009 and relet £000
Income					
Rent receivable	(20,000)	(520)	(5,390)	(390)	(15,000)
Discretionary rate relief			1,000	1,000	
Expenditure					
Letting costs			1,000		
Empty Property Rates				3,819	
Utilities, cleaning, security etc			3 months continuing		
net Expenditure / (income)	(20,000)	(520)	(3,390)	4,429	(15,000)
Budget overspend /Supplementary estimate		19,480	16,610	24,429	5,000

9 RISK MANAGEMENT ISSUES

- 9.1 The risks in the situation as outlined in the report relate to a number of outcomes: the loss of income that has already occurred which might continue in the current economic climate; the closure of the Credit Union in Winchester could leave many of its customers in a difficult financial position and it could affect the reputation of the Council.

BACKGROUND DOCUMENTS:

None

APPENDICES:

None