



OVERVIEW AND SCRUTINY COMMITTEE

MINUTES of the Overview and Scrutiny Committee held on Monday December 7 2009
at 7.00 pm at Town Hall, Peckham Road, London SE5 8UB

PRESENT: Councillor Fiona Colley (Chair)
Councillor Jane Salmon
Councillor James Barber
Councillor Toby Eckersley
Councillor John Friary
Councillor Barrie Hargrove
Councillor Adedokun Lasaki
Councillor Veronica Ward
Councillor Lorraine Zuleta

OTHER MEMBERS PRESENT: Councillor Nick Stanton, Leader of the Council

OFFICER SUPPORT: Tom Branton, Chief Executive's Office
Shelley Burke, Head of Overview & Scrutiny
Deborah Collins, Strategic Director of Communities, Law & Governance
Doreen Forrester-Brown, Legal Services
Susie Haywood, Senior Media Officer
Eleanor Kelly, Deputy Chief Executive
Stephen Platts, Head of Property
Duncan Whitfield, Finance Director
Peter Roberts, Scrutiny Project Manager

1. APOLOGIES

- 1.1 Apologies for absence were received from Councillor Richard Thomas and Colin Elliott, education representative.

2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

- 2.1 The chair indicated that she was accepting an addendum report in respect of item 5, Elephant & Castle heads of terms, and a call-in request relating to this item as late and urgent business.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

3.1 There were no disclosures of interests or dispensations.

4. MINUTES

RESOLVED: That, subject to the amendment of paragraph 8.1 of the minutes of the meeting on November 16 2009, as set out below, the minutes of the meetings held on October 12 and November 16 2009 be agreed as correct and accurate records:

Add, "Councillors Toby Eckersley and John Friary had earlier declared prejudicial interests in respect of this item and left the meeting at this point."

5. ELEPHANT & CASTLE HEADS OF TERMS

5.1 The legal representative reminded the committee that any reference to the executive's decision in July 2007 was for information only and that the committee was not scrutinising this earlier decision. The chair stressed that the committee would not be discussing legal or financial issues in the open part of the meeting.

5.2 Councillor Nick Stanton, leader of the council, outlined the process which had begun in 1998 when the council decided that the Elephant & Castle represented the next major area for regeneration in Southwark. This had been driven by the demand for a major retail outlet and the aim of bringing the Heygate Estate up to standard. In the summer of 2007 the council selected Lend Lease as its preferred Master Development Partner and, at its meeting on November 30 2009, the executive agreed Heads of Terms as the basis for a formal regeneration agreement. The leader stated that the executive was confident that this was the best deal that could be achieved by the council, was compliant with the terms on which Lend Lease had been selected and was the best that Lend Lease would offer.

5.3 Members queried the process should any significant change be proposed to the Heads of Terms as a result of ongoing negotiation with Lend Lease. The deputy chief executive confirmed that any changes would need to be reported to the meeting of the executive in January.

5.4 Given its phasing, members questioned how confident the council could be that the shopping centre would be rebuilt and transform the Elephant & Castle area. The leader indicated that three options remained open in respect of the shopping centre – for St Modwen to become part of the regeneration development, for St Modwen to sell the centre to Lend Lease or for the council to compulsorily purchase the centre – and that these could still be options when the regeneration agreement was signed. A fourth option would be for St Modwen to redevelop the centre, so long as any development was compliant with planning requirements and the council's vision for the Elephant & Castle. The council, Lend Lease and St Modwen were meeting to explore the options but this should not delay

regeneration of the Heygate.

- 5.5 Officers explained that the phasing as detailed in the report was not sequential and that possible development of the shopping centre would be constantly monitored and proceeded with as soon as it was viable. The council and Lend Lease were committed to working together to progress negotiations with St Modwen. The leader commented that the market was such that no shopping centre scheme was under way in the country at the moment and that big retail outfits were not interested in discussing new sites. He also commented that the vision for regeneration of the Heygate Estate included some retail opportunities.
- 5.6 Members focused on the fourth option for the shopping centre, of the council stepping back from participation in the development and acting solely as a planning authority, and asked whether consideration had been given to taking this approach for the whole site. The leader stressed that the council had an exclusivity agreement with Lend Lease and that the decision to seek a partner had been right in order to achieve cohesive regeneration of the whole area. St Modwen coming to the discussion table would bring additional benefits but in the meantime work could commence around the shopping centre.
- 5.7 In response to questions the leader stated that, on the promise of regeneration of the Elephant & Castle, residential units in the Strata Tower were selling at in the region of £600 per square foot and that more or less 100% had been sold off plan. He also explained the infrastructure being constructed in preparation for connection to a multi utilities services company (MUSCo). Officers added that initially a local solution to energy would be required but with the intention that the development be plugged into a MUSCo combined heat and power solution when it was available. A separate procurement process would be necessary for the MUSCo but officers assured members that the MUSCo was essential in terms of the council's objective of zero carbon emission both for the Elephant & Castle and possibly other sites.
- 5.8 Members asked for an update on transport plans including the northern roundabout and upgrades to the tube. The deputy chief executive reported that Lend Lease, Transport for London (TfL) and the council were appointing consultants to re-examine the approach and costings around transport. The council's role was both as a landowner and as planning authority. The terms of reference for the consultants had yet to be agreed. Some members felt that transport was a key element of the regeneration and were concerned that no progress had been made over the past few years of discussion. The leader commented that TfL had not fully engaged in the discussion until the council had acquired a regeneration partner. Some discussion had now taken place about the costs of the roundabout and the entrance to the northern line station and possible sources of funding. Once the council signed a deal with Lend Lease then TfL would come forward with proper costings and justification. Members were uncertain as to what funding might flow from S106 money and what might come from the developer and wondered if there was a risk that transport improvements would not be forthcoming.
- 5.9 Members sought clarification as to the provision of affordable housing and asked why this was not referred to in the Heads of Terms. The leader explained that the

number of units to be built in the Elephant & Castle opportunity area was determined in the core strategy. The deputy chief executive stressed the council's role as planning authority and that affordable housing and the test of financial viability would be taken into account at the planning stage. The leader added that Lend Lease clearly understood the requirement to include affordable housing in its development. Some members remained concerned that sufficient affordable housing would be delivered.

- 5.10 Members asked for details in respect of the proposed estate management strategy (paragraph 34 of the open report). The head of property explained that there would be extensive consultation on future management of the area, including new residents. One of the advantages of working with a single developer would be the opportunity to provide a quality environment.
- 5.11 Members asked for further details of the options for the leisure centre. The leader indicated that the current leisure centre was far from ideal but that the question was where to put a new centre and how it would fit in with the masterplan. Options included keeping the centre going until a new centre opened, refurbishment or putting the land into a deal with Lend Lease. Another decision would be whether to agree any development with Lend Lease or to begin a separate procurement exercise. Members sought assurance that ultimately there would be a new leisure centre with a pool.
- 5.12 Members referred to paragraph 40 of the open report, setting out key project milestones, and asked how closely they were to be adhered to. The leader stated that there was a difference between re-opening negotiations on the entire Heads of Terms and taking time to ensure that the contractual details satisfied the lawyers. If the council was advised by its lawyers that some slippage of deadlines was in the interests of the council then it might, for instance, be necessary to delay signing of the regeneration agreement.
- 5.13 In response to questions, the head of property explained that the master regeneration business plan (MRBP - paragraph 24 of the open report) would be a key document which Lend Lease would prepare following signing of the regeneration agreement. Paragraph 26 set out elements to be included. It was critical to get the governance mechanisms correct. The head of property clarified that Lend Lease could not commit to preparation of the MRBP until legal agreement has been reached with the council.
- 5.14 The leader updated the committee on other developments in the opportunity area including the former London Park Hotel, 50 New Kent Road, 85 Newington Causeway and Eileen House (paragraph 18 of the open report). Members emphasised the importance of finding a new home for Southwark Playhouse and making provision for this in any planning consent.
- 5.15 At this stage in the meeting the committee went into closed session. The leader and officers reported on costs associated with any improvements in the transport infrastructure and provided comparisons between the original offer and the contract currently under discussion. Members sought clarification as to the future value of the contract and any outstanding risks.

5.16 The committee returned to open session and considered the evidence they had heard in respect of the call-in. Members in general agreed that the decisions should not be referred back to the executive but some members considered that there was a lack of certainty about important elements such as the shopping centre and swimming pool. The committee took the view that it should continue to monitor the progress of the deal with Lend Lease.

RESOLVED:

1. That the decisions on the Elephant and Castle heads of terms agreement not be referred back to the executive and be implemented with immediate effect.
2. That a further report on progress of the deal with Lend Lease be brought back to the committee before any decision is taken by the executive in respect of the regeneration agreement.

The meeting ended at 10.55 pm.