



REGENERATION & RESOURCES SCRUTINY SUB COMMITTEE

MINUTES of the meeting of the REGENERATION & RESOURCES SCRUTINY SUB-COMMITTEE held on 12 JANUARY 2006 at 7:00PM at the Town Hall, Peckham Road, London SE5 8UB

PRESENT: Councillor Toby Eckersley – Chair
Councillor Jane Salmon - Vice Chair
Councillors John Friary, David Hubber, Billy Kayada.

OFFICERS: Paul Evans – Strategic Director of Regeneration
Stephanie Fleck – Principal Lawyer, Contracts
Chris Horn - Development Project Director
Carina Kane – Scrutiny Project Manager
Lucille Pryce – Business Regeneration Manager

ALSO PRESENT: Ray Austin – Chamber of Commerce
Lee Bartlett – Chamber of Commerce
Bernie Bartley – Elephant and Castle Traders Association
Patrick Blunt – Business Extra
Councillor Catherine Bowman – Deputy Leader
Richard Lee – Elephant and Castle resident
Sofia Roupacia – Elephant and Castle resident
Valerie Stevens – Elephant and Castle Traders Association

APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Michelle Pearce. Apologies for lateness were received from Councillor Billy Kayada.

CONFIRMATION OF VOTING MEMBERS

The Members listed as being present were confirmed as the Voting Members.

NOTIFICATION OF ANY OTHER ITEMS WHICH THE CHAIR DEEMS AS URGENT

None.

DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were none.

RECORDING OF MEMBERS' VOTES

Council Procedure Rule 1.17(5) allows a Member to record her/his vote in respect of

any motions and amendments. Such requests are detailed in the following Minutes. Should a Member's vote be recorded in respect to an amendment, a copy of the amendment may be found in the Minute File and was available for public inspection.

The Sub-Committee considered the items set out on the agenda, a copy of which has been incorporated in the Minute File. Each of the following paragraphs relates to the item bearing the same number on the agenda.

MINUTES

RESOLVED: That the Minutes of the meeting of the Regeneration & Resources Scrutiny Sub-Committee held on 30 November 2005 be agreed as a correct record of proceedings and signed by the Chair.

1. **EXECUTIVE INTERVIEW – ELEPHANT & CASTLE REGENERATION** [pages 1-80]
- 1.1 Officers responded to questions 7, 10 and 11 before the Deputy Leader of the Council was in attendance at the meeting. The Deputy Leader then responded to the remaining questions directly. [Where supplemental questions were asked, these have been incorporated into the answer given for the relevant question].
- 1.2 **Question 1:** *What is the role of the council and the Executive Member in protecting the interests of the existing businesses at Elephant and Castle?*
- 1.3 The Deputy Leader said the plans were developed with the local businesses and people at the centre of the plan. She made the point that the majority of Southwark residents did not spend their money within the borough and this needed to be changed. Residents had informed that while they valued the independent traders, they wanted to see more retail choice. She believed the current 'high-street' regeneration plan was more conducive to the diversity of the businesses than the shopping mall approach that had been suggested by the previous administration.
- 1.4 A supplemental question was asked about what the council was doing specifically to assist individual businesses. The Deputy Leader said the intention was that all businesses that wanted to remain in the area would be supported. The council had limited powers as it was not the landlord, but notwithstanding this, it had been involved in initiatives to assist businesses such as funding Business Extra through the Single Regeneration Budget (SRB), appointing a new business liaison manager, and its involvement in marketing the shopping centre. She also advised that she had met with St Modwen just before Christmas and had raised concerns about the dissatisfaction being reported by the businesses, such as rent and service charge levels. At the meeting St Modwen would have been left in no doubt that the council expected the landlord to assist businesses.
- 1.5 **Question 2:** *Has the Executive Member received a copy of the report dated 10 October 2005 issued by Business Extra entitled "Generic Professional Legal and Survey Advice for Existing Small Businesses – Elephant and Castle Shopping Centre"? If so, how is the Executive addressing the suggestions for easing the transitional pain for such businesses as set out in the October 2005 report, especially in paragraphs 4.29, 5.2.3, 6.6 to 6.10, 8.5 and 8.6?*
- 1.6 The Deputy Leader said that they had tried to include the areas of concerns in their thinking and do more. This had been outlined in her letter to traders in November 2006.

- 1.7 In response to a request from the Chair, the Deputy Leader agreed to provide a report to the sub-committee responding to the comments in the Business Extra report [also known as the GL Hearn report] about the use of the council's discretionary powers to assist the traders and other specific paragraphs mentioned in the question above in the next couple of weeks. Officers clarified that the report provided a professional independent advice about the legal position for businesses, and it was not a set of proposals put forward by the businesses.
- 1.8 **Question 3:** *The October Report makes repeated reference to the importance of the Development Agreement which the Council will enter into with the selected developer. Has the Executive yet decided upon its policy on what will be included in the Agreement, with particular regard to the issues raised in question 1 above? Has a draft "Heads of Agreement" been produced?*
- 1.9 The Deputy Leader responded that the Stage 2 document to bidders had reiterated the importance of supporting businesses, and had made it clear that final expectations would be set out in the Stage 3 document. The final details, including details about protecting and supporting businesses, would be considered by Executive in the next six or so weeks and would be included in the Stage 3 document and the Heads of Agreement.
- 1.10 The Chair questioned whether the bidders could have a good understanding of the expectations if the council had not formulated its policy yet. The Deputy Leader explained that the commercial developer would have a place on the Board of the Elephant and Castle Trust, and that the Supplemental Planning Guidance (SPG) drew out what the council expected. She reiterated that the council's broad intentions were evidenced in the Stage 1 and 2 documents for the commercial bidders.
- 1.11 **Question 4:** *What progress is being made with the discussions with the three short-listed prospective developers? Have any dropped out? If so, why? What has been their reaction to the matters raised in the October Report? If such matters have not yet been raised with them, why not?*
- 1.12 The discussions with the developers had been fairly good and the Deputy Leader confirmed that none had dropped out. The council had been absolutely clear with developers about the importance of focusing on developing existing support for the businesses.
- 1.13 **Question 5:** *The Chief Executive's concurrent report to Council Assembly on 7 December 2005 (Supplemental agenda no.3) in respect of the deputation from Black Awareness Group states (paragraph 7) that certain matters would be presented to the Strategic Reference Group on 12 December 2005. What progress was made at that meeting?*
- 1.14 The Deputy Leader informed that she had not been present at the Strategic Reference Group meeting therefore was unable to advise on the progress made at the meeting. She suggested that Members refer to paragraphs 9 to 14 of the report to the cross-party working group on 14 December 2005, as this document reported on the outcome of the Strategic Reference Group meeting.

- 1.15 **Question 6:** *The same concurrent report states (paragraphs 12 and 14) that all new commercial developments in the locality will be required to offer a proportion of their units to shopping centre businesses on a first refusal basis; and that a fund is to be set up to provide grants or low cost loans to assist with transitional costs.*

Have the details of these policies been worked out? Have they been on the agenda of the Shopping Centre Liaison Group? When will the first of the new units be available? Is the Volvo showroom site in this category? What representations have been made by traders as to its suitability as a temporary or permanent site for displaced businesses?

- 1.16 The Deputy Leader said the plans had come about from representations made by businesses. She believed that the Liaison Group was an appropriate forum to discuss the suitability of sites; and informed the next meeting was scheduled for the 18 January 2006. The Deputy Leader also stressed the importance of having the capacity to work one-on-one with the businesses, and said resources had been invested in out-reach work.

- 1.17 In response to a supplemental question, the Deputy Leader also confirmed that there was an expectation that new development sites would be able under a s106 agreement to accommodate businesses from the Elephant and Castle shopping centre. This included the development of the Volvo site, although this still subject to planning permission.

- 1.18 **Question 7:** *Does the Executive have a policy with regard to the retention of the hundreds of mature and attractive trees in and around the Heygate Estate? Have discussions with prospective developers addressed this point?*

- 1.19 Officers replied that as much retention of the trees as possible would be good, but it depended on the package that was agreed for developing the area. The council would make plans to enhance the greenery of the area in the long run and some landscaping schemes were in the pipeline, subject to receiving planning permission. Officers explained that replanting existing trees was expensive and the success rate was generally low; and planting semi-mature trees seemed to be the best approach. The area was mainly planted with London Plane trees, which seemed to thrive in harsh urban environments. Members suggested officers consider planting other tree species when the area was redeveloped.

- 1.20 **Question 8:** *The Mayor of London issued a press release dated 14 December 2005 headed "CRE should investigate Southwark Council's plans for Elephant and Castle". In this he refers to a meeting with the Leader of the Council.*

When was that meeting? Who else was present? What evidence did the Mayor put forward to justify his call for a reference to the CRE? Was any of that evidence specifically related to the Elephant and Castle? Did that evidence contain any allegation that the Council's scrutiny of the E&C regeneration had displayed any racial discrimination? If it is the opinion of the Executive that there is no evidence to justify a reference to the CRE in respect of the E&C what formal response has been, or is to be issued, to the Mayor and/or the CRE?

- 1.21 The Deputy Leader explained that the council had previously provided details of their regeneration policies to the Commission for Racial Equality (CRE) so that the CRE could ensure that the policies were not discriminatory. In examining the information the council provided, the CRE had concluded that it did not need to formally investigate the council in respect of the Elephant and Castle regeneration. In addition the council was working closely with the CRE on equality impact assessments. The Deputy Leader also reported that when she had met with the Mayor, he had left them in no doubt that he was fully supportive of the council's scheme and that it took forward the objectives in his London Plan.
- 1.22 The Deputy Leader suggested that Members could draw their own conclusions as to why the Mayor made such allegations in the press. She added that it was her understanding that the Mayor could do no more than make the suggestion to the CRE; it was up to the CRE to decide whether to take up the Mayor's concerns.
- 1.23 The Deputy Leader also informed the meeting she attended with the Mayor of London had taken place at the end of November 2005. The Council Leader, the Executive Member for Equalities, Culture and Sport, the Mayor of London, the Mayor's race and planning advisors were also present at the meeting.
- 1.24 In respect of the press release, the Deputy Leader said that this had been issued after the meeting, and confirmed that no evidence had been provided at the meeting to justify the Mayor's call for a reference to the CRE. She also confirmed the council had not received anything relating to the comments made by the Mayor of London in the press release. She was not aware of whether the council had issued a formal response to the press release and suggested that Members direct this question to the Leader.
- 1.25 **Question 9:** *In the above-mentioned press release, the Mayor asserts that "throughout 2005 stakeholders involved in planning and regeneration matters in Southwark have stated that black Londoners in Southwark are not actively included and fully participating in decision-making on this major development"; in Note 1 to the release he states; "Southwark Council delivers the Elephant and Castle regeneration programme through Elephant Links". In the October report (see question 1 above) Elephant Links is described as "the regeneration partnership of the London Development Agency and Southwark Council".*
- Would the Executive member advise what representations the London Development Agency has made in 2005 or earlier on the matters which are apparently causing concern to the Mayor of London? If any such representations have been received, in what forum were they made, and what was the Council's reaction? What is the Council's reaction to the Mayor's suggestion (note 4 to his release) that he has "asked the LDA to consider establishing a steering group with Southwark Council and key stakeholders to improve scrutiny and transparency"?*
- 1.26 The Deputy Leader said that she had been taken by surprise at the Mayor's comments; and she was not aware of any representations made by the London Development Agency (LDA) to the Mayor which may have justified his concerns. The LDA had worked closely with the council on the regeneration scheme, and had engaged in a mini-review of the council from which it had taken aspects of the scheme to model of good practice. She added that her personal experience was that the GLA and Mayoral 'family group' appeared to be fairly dysfunctional.

- 1.27 **Question 10:** *How will the reaction of the Council/Southwark Alliance to the Government's Local Enterprise Grant Initiative (LEGI) assist the Elephant and Castle regeneration?*
- 1.28 Officers explained that a LEGI bid had been put in, and the council was pushing for this to include new business as well as protection of existing businesses. The council did not yet know if the bid had been successful.
- 1.29 **Question 11:** *Will Members and/or officers be attending the international property conference, MIPIM, in 2006? If so, how did officer attendance in 2005 assist the Council's regeneration effort, and what is expected of attendance in 2006?*
- 1.30 Officers confirmed that the council would be exhibiting at the property conference in Cannes, France. Officers said it was important to attend because it enabled engagement with the development community, and provided part of the greater London picture, particularly as Southwark was involved in large regeneration projects. This year, the council intended to get more engagement from the developers in Southwark to sponsor the costs involved in attending and exhibiting. Officers were not able to advise the sub-committee about the exact number of officers attending as this had not been finalised, but assured that it would be the minimum amount.
- 1.31 A Member asked for feedback about the conference. Officers agreed to action this, and the chair suggested that the report should also be directed to the relevant Executive Member.
- 1.32 Once all of the questions had been answered, the Chair invited further comments from sub-committee members. Members were concerned about whether the council had a duty to challenge the Mayor's comments given the damage that could potentially be done to both the council and the scheme if the issue was allowed to fester. The Strategic Director for Regeneration advised the sub-committee that the Council Leader had issued a press release which had been reported in the Guardian responding to the Mayor's comments. He also advised that officers were in regular contact with the LDA and had discussed this with the LDA, but the LDA had provided no evidence that any action was required from the council.
- 1.33 The Deputy Leader was asked whether the businesses had been informed about the outcome of the meeting in late November 2005 with St Modwen. Officers said that businesses would be debriefed at the Shopping Centre Liaison Group meeting on 18 January 2006.
- 1.34 The Chair then asked questions of the Deputy Leader about comments she had made in a letter to the Elephant and Castle shopping centre traders in November 2005. He first noted that the Deputy Leader had planned to ask the Mayor about how the regeneration area could benefit from measures he was putting in place in other parts of London, such as the Olympic development area, and asked the Deputy Leader whether anything constructive had come from this. The Deputy Leader said she had pressed the Mayor repeatedly on how he might give assistance to businesses in the regeneration area, but the Mayor had been reluctant to commit to providing assistance.

- 1.35 The Deputy Leader also confirmed that the council's commitments to local businesses affected by the regeneration would be wrapped up in the Charter; and she would guarantee that the commercial partner picked this up. She also advised that a Business Regeneration Manager had been appointed and was in attendance at the meeting.
- 1.36 Members also sought comments from the Deputy Leader about press reports regarding how minutes were taken at Shopping Centre Liaison Group meetings. The Deputy Leader said the meetings were independently minuted, and she did not feel it was appropriate for her to make suggestions for change. She agreed with the Chair's statement that minutes were the property of the next meeting and should be dealt with in the normal way. The correspondence she had seen regarding the minutes did not make her conclude that there was anything fundamentally wrong with the liaison group.
- 1.37 The Chair then extended the opportunity for comments to other attendees at the meeting and explained that this would be the last opportunity to make comments in this particular forum, as the scrutiny committees would be reconstituted in May 2006.
- 1.38 Mr Lee Bartlett, from the Southwark Chamber of Commerce, said he welcomed the commitment by the council to produce the charter, and hoped it would be circulated to businesses as soon as possible. He also commented that he sympathised with the council's position given its limited powers to intervene with the landlord matters.
- 1.39 Mr Bartlett then raised the following issues: whether the retail impact assessment that had been carried out on the earlier regeneration model was still relevant and whether it considered other businesses in the wider proximity; whether the liaison group was working as effectively as it could; and the need for clarity about whether there had been a council response to the Mayor's comments as the comments impacted negatively on all people in the borough. In response to the first issue, officers said that three assessments had been carried out in the area – one for the Elephant and Castle, another a Southwark-wide assessment and the third by the GLA in connection with the London Plan – and these assessments had not indicated any shift in the pattern of retail spend.
- 1.40 Ms Valerie Stevens, from the Elephant and Castle Traders Association, then outlined her major concerns to the sub-committee. She said that the survival of the businesses was of more prime concern than the relocation, and stressed that support was needed now to prevent their decline. She contended that business were suffering and the situation was bleak because: the level of services charges and rent were high given the condition of the building; businesses were being lost because of the movement of people away from the area (e.g. offices in Hannibal House); and people had been put off coming to the centre by the regeneration plans and deterioration in the area.
- 1.41 Ms Stevens also raised concerns that tenants whose leases expired early would not be entitled to any compensation; and that even if a tenant took out a loan for the relocation, they would still need to repay the loan. She also suggested that it was in the interests of the landlord to see leases end, so they would be less likely to be helpful. Serious talks were needed with the Liaison Group. She added that most of the efforts to promote the shopping centre had made no difference, and had been primarily funded by traders through their service charges.

- 1.42 The Chair thanked Ms Stevens for reiterating her views, and asked about the situation with the Boots store in the shopping centre. Ms Stevens explained to the sub-committee that the Boots' lease allowed for an upward or downward rent review. The landlord had wanted to increase the rent, but following arbitration a reduced rent level was agreed. This demonstrated that the rents were too high for the situation in the shopping centre.
- 1.43 Mrs Stevens was invited to comment on the use of the Volvo centre to accommodate businesses; she replied that her general comments had addressed these thoughts.
- 1.44 Members also questioned if traders had experienced a drop in trade during the past six months. Ms Stevens informed that traders had experienced a drop, but this had not been quantified. However, she reported that at least five businesses had closed down over this period. Mr Patrick Blunt, from Business Extra, said that some traders had reported an 8% drop in Christmas sales compared to the previous year. Mr Bernie Bartley said he personally had seen a drop of one-third in Christmas trade.
- 1.45 Questions were asked about the empty advertising hoardings around the Elephant and Castle Shopping Centre. Officers explained that the advertising contract had been retendered, and new boards had been put up around the shopping centre but were removed as they did not have planning consent. The landlord had given the council assurance that they were putting pressure on the third party advertising company to comply; in the meantime the advertising company was still paying rent. Members said that the situation was not in anybody's interests and needed to be rectified.
- 1.46 Mr Richard Lee then addressed the sub-committee. He asked for a written response to the twelve recommendations from the Strategic Reference Group sub-group and provided examples of the recommendations. Officers responded to recommendations about consultation – advising that there would be consultation on the council's Equality Impact Assessment and in developing the council's Statement of Community Involvement. Any points raised by traders about compensation and support would be addressed in the Shopping Centre Liaison Group meetings. The letter from the Deputy Leader in November 2005 set out the position reached so far and said any issues raised from businesses would be dealt with through the appropriate channels. Officers added that there had been real progress, but an agreement needed to be reached about how to achieve business continuity, the process of transfer, and how to maintain an active community.
- 1.47 Ms Sofia Roupacia asserted that the Draper Tenants and Residents Association had not been kept involved in the regeneration developments, and that the proposed Castle House development was not appropriate to accommodate shopping centre traders as it was focused around bars and restaurants. Officers were of the opinion that the Draper T&RA had been involved in consultation, and advised that the Castle House planning application needed to be judged on the negotiation with developers to make it fit for purpose. The Chair asked Ms Roupacia to write directly to the Development Project Director with her concerns.

- 1.48 Mr Bartley raised concerns about use of the Volvo site as a relocation site given the disruption to relocated businesses from the building works that would be taking place around the site. It was noted that the Business Extra report said that continuity would be difficult in any new unit; but relocation would be particularly difficult if businesses were relocated to areas which were still being developed. The Chair said that this would be a serious concern and urged officers to address such issues. Officers responded that the council would pursue negotiations with developers to ensure that as much as possible would be achieved or example maximum amount of floorspace for relocated businesses, no increase in rent at time of movement.
- 1.49 Mr Bartley then emphasised the importance of involving businesses in shaping decisions. Officers said the council had told St Modwen that they should reflect any decline in business in the rent levels. The planning applications were coming forward in larger numbers than had been expected, indicating commercial confidence in the area. Businesses also needed to put pressure on their landlord to ensure that St Modwen was doing all it could to help, including encouraging St Modwen to be flexible in allowing businesses to move on early if they do not intend to stay in the regenerated area. St Modwen needed to do its share, and should answer for things that had been demanded of them (such as information about footfall through the centre). Individual businesses needed to be able to negotiate things confidentially.
- 1.50 The sub-committee also briefly discussed the encouragement given to St Modwen to set up individual meetings with the businesses. Ms Stevens was concerned about whether this would be of benefit to the businesses, and suggested it would be playing into the landlord's hands if businesses admitted they were struggling. The Chair suggested officers should set up a framework for monitoring these surgeries.
- 1.51 Mr Bartlett asked about the arrangements for rent levels in any new business premises, and emphasised the importance of referring to 'rent reviews' rather than assuming there would be rent 'increases' over time. Officers said the proposal was to hold rent levels for the first five years, and then revert to market rates. A five-year period would allow for changing circumstances; any longer would create disparity with other businesses in the area.
- 1.52 The Deputy Leader provided further information for the sub-committee about the meeting which had taken place with St Modwen. The council had requested the meeting in response to issues being raised by traders (e.g. reports of empty units in the centre and reduced footfall), and the meeting had been attended by herself, the Chair of St Modwen, other staff from St Modwen and officers. The Deputy Leader reported that she had been firm in raising the traders concerns, and had made it clear that the council was dissatisfied by what they were hearing about the landlord's behaviour. She also encouraged businesses to take part in the surgeries and said the council would be watching with interest.
- 1.53 Mr Blunt said that it was good to see that progress was being made, but definitive action was needed as soon as possible. He suggested the landlord should be encouraged to adhere to the code of practice for commercial landlords. He also suggested there was a risk the landlord could increase rent so that they would be entitled to more compensation. The issue for businesses in the shopping centre were separate and different from those in the wider town centre area; and the former seemed focused primarily on landlord and tenant issues. Officers told the sub-committee they also met separately with other interests in the Elephant and Castle area.

- 1.54 The Chair thanked those present for attending, and in return Mr Bartlett thanked the sub-committee for the opportunity to attend and speak.

RESOLVED: That the Deputy Leader/officers provide a report to the sub-committee responding to the comments in the GL Hearn report about the use of the council's discretionary powers to assist the traders and other specific paragraphs mentioned in the question 2 of the Executive Interview.

2. WORK PROGRAMME 2005/06 [pages 81-91]

- 2.1 Members approved the programme of work for the remainder of the year. A discussion took place about the approach to March meeting, with Members making suggestions about who could be invited to represent the regeneration schemes that were being considered as part of the scrutiny. The scrutiny project manager was also asked to obtain a copy of the council's decanting policy guidance.

The meeting closed at 10:10pm.

CHAIR:

DATE: