

Item No. 15.	Classification: Open	Date: 20 October 2020	Meeting Name: Cabinet
Report title:		Recommendation stop and close the QR4 programme to reconsider and test our approach	
Ward(s) or groups affected:		Nunhead and Queens Road / All	
Cabinet Member:		Councillor Rebecca Lury, Finance and Resources	

FOREWORD - COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE AND RESOURCES

Covid-19 has had far-reaching and unexpected impacts throughout our Borough.

We have seen a fundamental shift in ways of working, with our staff adapting at great pace to working from home, or in a more flexible way. At the same time, we have been able to accelerate many of our digital approaches to service delivery, such as in Housing Solutions, which has meant less need for individuals to be physically present in our offices.

Before the pandemic, we had plans for Queens Road 4 (QR4), that would see the site delivering significant new space for our staff, but as we have seen the impact of Covid-19 on our Borough, we are now in a position to reconsider some of the previous options for the site that were previously deemed unviable based on what we expected to need the space for.

To ensure we are taking the right decision, given the complex and ever-changing situation that we find ourselves in, we want to explore the opportunity to redevelop the site to provide temporary accommodation alongside office space. Whilst ensuring we are not over-providing office space that may no longer be provided, we can also address some of the acute issues around the availability of temporary accommodation in the Borough.

We should be clear that adopting the recommendations within this report to stop the current QR4 programme does not remove the need for us to provide safe, modern and welcoming spaces for our frontline staff. However, it does provide us with the opportunity to look at other options for the development, which may have a wider beneficial impact in the long-term.

RECOMMENDATIONS

1. Cabinet to take the decision to formally stop and close the Queens Road 4 (QR4) programme (including terminating construction contracts),

following the impact of COVID-19 on the way in which services are delivered moving forward, and taking into account the considerable financial challenges forecast over the coming months.

2. Cabinet to approve officers in Regeneration and New Homes, in consultation with the cabinet member for housing, to appoint an architect, from the Southwark Architects Framework, to undertake a feasibility to explore the potential use of the site at 128-148 Asylum Road (QR4) as a housing redevelopment opportunity.
3. Cabinet to note the need to find alternative service delivery accommodation solutions for staff based in Talfourd Place (28 staff), Curlew House (90 staff), Sumner House (182 staff) and Bournemouth Road (95 staff).
4. Cabinet to note that this recommendation includes the termination of the Pre-Construction Services Agreement (PCSA) contract, leading to the need, if required, to reappoint contractors later, including potential redesign. The costs, timeline and scope would need to be picked up as a new programme with revised governance in place.
5. Cabinet to note that this recommendation may impact the council's ability to release the current candidate sites for redevelopment into new homes, impacting on Southwark's new homes target, as outlined in table 1.
6. Cabinet to note that the Pelican Estate redevelopment scheme cannot be delivered without the release of both Curlew House and Talfourd Place with these buildings intrinsically linked.
7. Cabinet to note that this recommendation may negatively impact the council's commitment to be net carbon neutral by 2030, by not disposing of inefficient old buildings and redeveloping these sites to be environmentally sustainable.
8. Cabinet to note that officers have started on the path towards developing a new staff accommodation strategy, developing new ways of working and establishing a clear vision for a future operating model moving forward.

BACKGROUND INFORMATION

9. The council's Workplace Strategy was agreed by Cabinet in November 2016 and included recommendations, in line with its two-centre model, to open a new building for targeted services, known as Queens Road 4 (QR4) and deliver a co-located depot known as the New Depot. In addition, it endorsed conducting a wider review of office accommodation and reducing satellite sites, with a commitment to a consistent office offer that supports increased remote working.

10. Following this a review was carried out by an external consultant in February and March 2017, which looked at all options available for Southwark's office accommodation and tested the recommendations made in the Workplace Strategy. The outcome confirmed that a two-centre model continued to be the right approach for Southwark with the expansion of the Queens Road campus. This review tested the existing estate capacity (Tooley Street and Queens Road), establishing there was a compelling need for an additional building to be located at Queens Road as well as options for a new headquarters elsewhere in the borough.
11. In December 2017, Cabinet authorised officers to undertake the development of QR4, subject to the council's governance processes for expenditure, procurement and statutory processes such as demolition, planning and consultation.
12. In June 2019, Cabinet granted approval to increase the programme budget by £5.35m, revising the overall capital budget to £19.75m. Following this, in March 2020, Cabinet approved the procurement strategy for the programme.
13. The spend to date for the programme is £2.017m and includes site demolition, feasibility and design costs and pre-construction costs including the cost of the Pre-Construction Services Agreement and withdrawal. Legacy costs are not expected to exceed £50k.

RATIONALE FOR RECONSIDERING THE APPROACH

14. Following the impact of the COVID-19 pandemic the QR4 programme has been reconsidered. The two key reasons for this recommendation are as follows:
 - the considerable financial challenges the council anticipates in the coming months and years, and;
 - the potential for the council to adjust its thinking on its office accommodation needs in light of the expedited move to new ways of working, resulting in the need for a check point to ensure that the council accommodation model is appropriately rationalised, whilst maintaining flexibility to best manage a number of outcomes as a result of the evolving situation.
15. COVID-19 has resulted in fundamental changes to how services are delivered, with an appetite to capitalise on these positive developments moving forward. The expedited move towards smart working means that staff are now more comfortable and willing to work remotely, meaning that the demand on office space is likely to be reduced. In addition, changes to the way in which services are delivered (e.g. Housing Solutions' move to a digital interface) mean that the amount of space required to see service users may also have changed. This fundamentally affects the amount of space required moving forward and means that options that were deemed unviable before may now be possible.

Queens Road 4 SITE

16. As a consequence of the decision to stop the QR4 programme, it is recommended that Cabinet grant officers approval to appoint an architect to conduct a feasibility study to explore an alternative use for the QR4 site for new homes and appropriate complimentary uses, in consultation with local residents.
17. It is important to note that as part of the QR4 programme the site was separated into two lots;
 - a. 128-148 Asylum Road (previously QR4)
 - b. 133-137 Queens Road SE15.
18. The lot on Queens Road will now be considered as part the new feasibility study.

KEY ISSUES FOR CONSIDERATION - ALTERNATIVE SOLUTIONS FOR SERVICES BASED AT CANDIDATE SITES

19. Stopping QR4 does not remove the need for safe, modern and welcoming spaces for staff in Homelessness and Children's Services. Staff in these locations are key to delivering essential frontline services to residents.
20. In light of this and as a result of the decision to stop the QR4 programme, Cabinet are asked to note that projects to find alternative solutions for staff based Sumner House, Talfourd Place, Curlew House and Bournemouth Road will need to be initiated with associated budgetary implications and potentially impacting redevelopment programmes associated with these sites. The estimated cost of relocating services will be dependent on the future accommodation solution, established via an options analysis completed as part of each project.
21. Work required will need to be further developed with the associated services and take into account any changes to working and or service delivery in light of COVID-19. Any changes to existing buildings, to make suitable for staff and frontline service delivery will have associated financial implications and logistical challenges.

Regeneration & delivery of new homes

22. The following redevelopment programmes are intrinsically linked and affected by decisions to stop the QR4 programme.

Table 1: Redevelopment Timeline

Building(s)	Redevelopment	Timeline	Impact of delay	Regeneration advice
Talfourd Place and Curlew House	Pelican Estate redevelopment, delivering approximately 50 new homes, with at least 25 (50%) for social rent, this project has also been selected as a pilot for a net zero carbon scheme	Current redevelopment project timeline requires both buildings to be vacant by Spring 2022	Resident support for the scheme would be risked if building decommissioning extends beyond 2022.	Both buildings to be decommissioned no later than December 2021

Building(s)	Redevelopment	Timeline	Impact of delay	Regeneration advice
Sumner House	Has planning permission to be converted into 48 homes for private sale (44 flats and 4 townhouses) – This forms part of a wider programme including the Flaxyard and Peckham Library Square developments which together will provide 102 social rented homes, 27 intermediate homes and 10 private sale homes. The redevelopment of Sumner House into private homes directly funds the rest of the Flaxyard development and associated social housing.	Current redevelopment project timeline requires building to be vacant by April 2021	The longer this is delayed the greater the cost to the council will be in terms of interest payable on the development costs for the Flaxyard scheme. If Sumner House cannot be released for sale (to fund the programme) it means that the council will need to invest significantly more from the capital programme than initially planned. The sale of Sumner House is predicted to generate between £6.5m-£10m. Planning consent is valid until May 2021. There is the possibility of extending consent by a year, with any further delays meaning that money spent on design work, for conversion and extension, to get planning permission will be abortive.	Ideally the building to be decommissioned by April 2021 however extension of the planning consent would enable release to be delayed up until April 2022

Building(s)	Redevelopment	Timeline	Impact of delay	Regeneration advice
Bournemouth Road	Integral in enabling the ongoing regeneration of the Peckham area. Regeneration North are confident that the site has significant potential for commercial office use.	TBC	A developer is interested in the site and it will be marketed once vacant date is known. Significant operational savings can be made if a decision is made to not reopen the building.	Vacate the site in 2021 once the service can be assured that the new operating model is effective, and the service delivery zone is no longer required

Longer term estate wide solution

23. While it is clear that the solutions for sites that were previously included in the QR4 programme need to be prioritised, especially at sites that no longer support service delivery and where integral redevelopment is imminent, it is clear that, as a result of COVID-19, a fundamental review of the office estate as a whole is also required. With a commitment to review surplus accommodation and generate capital receipts for the council.
24. Cabinet to note that officers have started on the path towards developing a new staff accommodation strategy, developing new ways of working and establishing a clear vision for a future operating model moving forward.
25. It is currently envisioned that work to review the accommodation strategy will be split into two parts;
 - a. Work conducted to establish some key principles moving forward ensuring that these take into account workforce views and are based on a working model that ensures that services are delivered in a way in which best supports our residents
 - b. Once these principles are agreed and the council has a clear vision for a future operating model moving forward, the next step will be to establish what application of these principles means in practice. With an estate wide review conducted to produce key recommendations and a number of options for consideration.
26. This programme around the future of work in our office estates will take into consideration the results of staff surveys, the needs of services and the needs of our residents and service users. This review will ensure we arrive at an approach to work that challenges our pre-pandemic approaches to work in a way that does not compromise our duty to deliver

our services and serve our residents and service users.

Policy implications

27. There are no specific policy implications as a result of the above recommendations.

Community impact statement

28. The recommendation to stop and close the QR4 programme states that ongoing work to find alternate solutions for staff based at our existing candidate sites will continue especially where these sites are part of regeneration schemes and the delivery of new homes.
29. The council is committed to the values of a fairer future for all and therefore is committed to narrowing social inequality and injustice. Equality and Health Impact Assessments were undertaken for both the community and for council staff in September and October 2017 as part of the proposal to develop the site and has been referred through throughout the progression of the programme. We will ensure that the needs identified within both Equality and Health Impact Assessments will be taken forward into the new programmes of work that follow on from this.
30. The community and service users have been engaged throughout the design process to ensure we were acknowledging and incorporating the needs of our diverse community of the borough into the design and service delivery.
31. Internally, with our workforce, the QR4 programme team have engaged with the Council's Equality lead, our recognised Trade Unions, Staff Networks and directly affected staff through engagement sessions, briefings, newsletters and other channels of communication to ensure the needs of our diverse workforce were also taken into account.
32. The recommendations to conduct further feasibility studies into the potential use of the site at 128-148 Asylum Road (QR4) as a housing redevelopment opportunity will require an equalities impact assessment as set out under the Equality Act 2010 and the Public Sector Equality Duty (PSED) before any final decision is made. Upon Cabinet's approval of this recommendation, all relevant council officers will incorporate this into their programme of work.
33. Similarly any decision on finding alternative service delivery accommodation solutions for staff and service users based in Talfourd Place (28 staff), Curlew House (90 staff), Sumner House (182) and Bournemouth Road (95 staff) will also require an equalities impact assessment and will be incorporated into this programme of work.

Resource implications

34. The impact on council resources have been detailed in the body of this report and following the approval of the above recommendations any future resource implications will be covered in future reports.

Legal implications

35. Please see the legal concurrent in paragraphs 40-44 below.

Financial implications

36. As set out in Paragraph 13 the QR4 spend to date has been costed against the QR4 budget. As a result of the recommendation's set out in this report any future development of the site at 128-148 Asylum Road will follow due process to be allocated a budget.

Consultation

37. As noted in the community impact statement above paragraphs 28-33 any future proposals for the use of the site at 128-148 Asylum Road will go through a full consultation process with all impacted stakeholders.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

38. This report seeks the cabinet's approval to a number of recommendations in relation to the closure of the QR4 programme as further detailed in paragraphs 1-8.
39. In considering these recommendations, the cabinet should have regard to the council's obligations to carry out its duties in accordance with the principles of best value. This requires Authorities to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Paragraphs 14-18 set out the reasons why these recommendations are proposed, the possible alternate solutions and future work to be undertaken.
40. Paragraph 4 confirms that if the QR4 programme is closed then contracts for works already commissioned will need to be terminated. Subject to approval being obtained, officers have agreed with the contractor the terms of that termination, and once these recommendations are approved, officers from legal services will assist the project officers to document that agreement.
41. It is proposed that the Southwark ADS framework is used to appoint an architect to undertake a feasibility study for this project. Once this report is approved, the decision on who to appoint will be subject to the usual approval processes for use of the Southwark ADS framework.

42. The Cabinet's attention is drawn to the Public Sector Equality duty (PSED General Duty) under the Equality Act 2010, which requires public bodies to have regard, when making decisions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The Cabinet is specifically referred to the community impact statement at paragraphs 28-33, setting out the consideration that has been given to equalities issues, and will note that a further equalities analysis will be undertaken. Paragraph 36 confirms the consultation which has taken place and which is now due to take place in respect of these recommendations, which must be undertaken at a time when proposals are still at a formative stage, must give sufficient reasons for any proposal to enable intelligent consideration and response, and must allow adequate time for consideration and response. There is also a legal requirement that the product of the consultation must be conscientiously taken into account when making decisions in relation to this project.

Strategic Director of Finance and Governance

43. This report seeks approval to formally stop and close the Queens Road 4 (QR4) programme following the impact the COVID-19 pandemic has had on the way services are now delivered and will be moving forward. It also recommends the appointment of an architect to explore the potential use of the site at 128-148 Asylum Road (QR4) as a redevelopment opportunity for temporary accommodation, with the incorporation of an office and associated service delivery space below for housing teams. As a result of these decisions approval is also sought for officers to commence projects to find alternate solutions for staff based in Talfourd Place, Curlew House, Sumner House and Bournemouth Road.
44. The financial implications of the future outcomes of these decisions will be addressed in the respective future decision reports. Formal approval to remove the balance of the QR4 capital programme budget for QR4 will be sought from Cabinet via the next capital monitoring and refresh report, which will also confirm the extent of any legacy costs incurred.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Workplace Strategy	Workplace Team 160 Tooley Street SE1 2QH	Lilian Brett Lilian.Brett@southwark.gov.uk
Link (please copy and paste into your browser): https://www.southwark.gov.uk/assets/attach/3931/southwarks_fairer_future_workplace_strategy.pdf		
Policy and Resources Strategy: capital monitoring report, including capital programme update 2019-20 (month 9)*	Finance Team 160 Tooley Street SE1 2QH	Ian Young Ian.Young@southwark.gov.uk
Link (please copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s88140/Report%20M9%202019-20%20Capital.pdf		
GW1 Main Contractor Procurement: Queens Road 4	Regeneration Team 160 Tooley Street SE1 2QH	John Ryan John.ryan@southwark.gov.uk
Link (please copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s88182/Report%20GW1%20-%20Main%20Contractor%20Procurement%20-%20Queens%20Road%204.pdf		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Rebecca Lury, Finance & Resources	
Lead Officer	Michael Scorer, Strategic Director of Housing and Modernisation	
Report Author	Lilian Brett, Head of Workplace Kamran Khan, Head of Organisation Transformation	
Version	Final	
Dated	8 October 2020	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Chief Officer Team Formal Meeting - CEO; Strategic Director of Housing & Modernisation; Strategic Director of Finance & Governance; Strategic Director of Environment & Leisure; Strategic Director of Children's & Adults Services	Yes	Yes
Director of Modernise	Yes	Yes
Director of Children's Services	Yes	Yes
Director of Customer Experience	Yes	Yes
Director of Regeneration	Yes	Yes
Cabinet Member for Finance & Resources	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		8 October 2020