



OVERVIEW AND SCRUTINY COMMITTEE – CALL-IN

MINUTES of the OPEN section of the OVERVIEW AND SCRUTINY COMMITTEE CALL-IN meeting held on THURSDAY MAY 10 2007 at 6.00 P.M. at the Town Hall, Peckham Road, London SE5 8UB

PRESENT: Councillor Fiona Colley (Chair)
Councillor Bob Skelly (Vice-Chair)
Councillors John Friary, Barrie Hargrove, Adedokun Lasaki,
Tim McNally, David Noakes, Chris Page and Lewis Robinson

OTHER PRESENT: Councillor Toby Eckersley – executive member for resources
Shelley Burke – head of overview & scrutiny
Deborah Collins – director of legal and democratic services
Muz Janoolalla – PA Consulting
Carina Kane – scrutiny project manager
Eleanor Kelly – interim director of customer & corporate services
Rod Parker – GVA Grimley
Kevin Peters – assistant director (modernisation & improvement)
Stephen Platts - development & regeneration manager
Duncan Whitfield – finance director

APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Dominic Thorncroft and Ms Ann-Marie Eastwood.

NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMED URGENT

The meeting had not been summonsed with five clear working days notice because the item on the agenda was deemed urgent.

DISCLOSURE OF INTERESTS AND DISPENSATIONS

Councillor Fiona Colley declared a personal, non-prejudicial interest in item 1 as her husband worked with the company associated with the proposed landlord.

1. **CALL-IN: OFFICE ACCOMMODATION PROGRAMME – UPDATED STRATEGY, PROPERTY ACQUISITION AND BUSINESS CASE [EXECUTIVE MAY 2 2007]**

1.1 The Chair introduced this item by explaining the reasons that the office accommodation programme decision had been called-in by scrutiny i.e. concerns about the validity of the assumptions in the business case model, that the decision was taken to sell public buildings without public consultation, and the lack of a community impact statement given that relocation was likely to impact on the local community.

1.2 At 6:05 pm it was proposed, seconded and

RESOLVED: That the public and press be excluded from the meeting for consideration of the item of business on the grounds that it involved the likely disclosure of exempt information.

1.3 The finance director was invited to provide the background to the business case. He explained that a basic business case had been developed about 18 months ago and continued to be refined as more detailed information became available. The business case compared the 'do minimum' option (i.e. remain in existing property estate and do only the essential works such as maintenance, greening the buildings, moving staff from buildings affected by the Aylesbury regeneration) with alternative accommodation options such as building new office space or leasing property. The model concluded that the best value for the council was moving out of a number of buildings to a single location.

1.4 A member questioned whether an incremental approach to accommodation was considered by staggering the sale of the council's buildings rather than moving large numbers of staff to a single building. The development and regeneration manager explained that co-location of a large number of staff in a single location would drive better efficiency savings. An extensive property search had been carried out in Southwark based on broad search criteria. There was a limited supply of suitable accommodation. Hannibal House was one option considered, but was not good value for money due to significant IT fit-out costs.

1.5 The executive member added that at least 2,000 staff needed to be co-located in order to gain the benefits (including qualitative benefits such as staff morale). Moving into a number of smaller buildings would not have such significant benefits. It was a priority to move staff from premises affected by the Aylesbury regeneration and he did not think it made sense to move staff to temporary premises in the interim. The executive member agreed with a comment that the chosen accommodation option appeared to be a 'big bang' step change, but thought it could have been bigger if the council had tried to co-locate its entire workforce of approximately 4,000 staff.

1.6 The development and regeneration manager further explained that the report assessed various accommodation options, based on individual evaluations in accordance with chartered surveyors guidance and advice from planning. The finance director added that the "build our own building" option did not add up to value for money and there would be a residual cost at the end of its life.

- 1.7 Questions were asked about buildings proposed for disposal. The development and regeneration manager described the disposals process, for example the preparation of planning briefs which would then be subject to the consultation and planning process. The assumed use of disposed properties would be in line with the policies in the Southwark plan i.e. mixed use and predominantly residential. Whether buildings would be demolished and rebuilt would depend on the type of building e.g. if they were a listed building. Officers confirmed that 151 Walworth Road and 31 Peckham Road would be retained, subject to affordability considerations.
- 1.8 The finance director explained that there were restrictions on the use of capital receipts from the sale of buildings. Capital receipts needed to go into the capital fund although the timing for spend was flexible.
- 1.9 Questions were also asked about what would happen if there was a property crash before the buildings were sold. The finance director said the risk could not be totally eliminated, however he was comforted by the prudence applied to the estimates used in the business case. The development and regeneration manager explained that the market appetite was very strong and demand was outstripping supply.
- 1.10 The finance director provided information about the costs of running the council's current office accommodation. He explained that this was an unreal figure because the council did not currently pay rent and had spent minimal amounts on maintenance. Further work was needed on incidental costs that were not picked up in the mainstream budgets. There was also an opportunity cost in relation to the use of the buildings for staff accommodation.
- 1.11 Members asked about the service charges and rent levels for the proposed accommodation premises, the costs foregone and how efficiencies could be found for the funding gap. The finance director explained that the efficiencies would be driven by:
- direct costs, such as recruitment and retention from appropriate accommodation and transport links, single ICT structure, efficiencies in facilities management, transport around the borough
 - soft costs (which were more challenging to quantify), such as productivity levels, easy access to colleagues, bringing support services such as the secretariat, IT and human resources together.
- 1.12 Concerns were raised about the long-term commitment to keeping 2,000 staff in the north of the borough given risk of change to government policy, such as the size of local authority boundaries. The executive member commented how there would be risk regardless of the option the council chose. There would be provision in the lease to allow for sub-letting, although the council would retain the obligation. The executive member stressed that there was no intention for executive members to be housed in luxury accommodation.
- 1.13 A member was interested in the benefits of renting over buying a new building, given the low interest rate environment and the likelihood that the council was a good risk. Officers explained that local authorities operated under a different capital regime to the rest of the market, so did not have the capital available. Prudential borrowing by the council was a factor in this constraint.

- 1.14 Another member suggested the council could stagger its disposals in order to invest in a new build it would own. The finance director agreed that this was an option. However, any new build would take time, and in the meantime the council would keep having problems with its existing estates scattered across the borough while it built up large reserves. He felt that the proposed accommodation option was a great opportunity.
- 1.15 Members were concerned about how the report lacked an assessment of the community impact in areas that staff would be vacating (such as lunchtime trade and the effect on transport links in Camberwell and Peckham). The executive member agreed that a community impact assessment needed to be produced as soon as possible. Officers reminded the committee that properties would be occupied by a mix of commercial and residential population so there would continue to be a market.
- 1.16 Officers were asked to explain the rationale for choosing 2,000 staff for co-location. The explanation given was that this was based on the number of staff in supportive, administrative, local and headquarters roles, depending on how they provided their services. Detailed work on local services provision was still being carried out. The proposed location provided a good fit given the property options available in the borough. The council was not in a position to raise the funds needed to co-locate its entire staff in one building.
- 1.17 The committee also sought clarification as to whether there was substance to claims that people were discouraged from working for Southwark by the state of some of the buildings. The development and regeneration manager confirmed that recruitment was a major issue because of the standard of accommodation and provided anecdotal evidence to support this.
- 1.18 The executive member was asked about his position on asset-stripping. His response to the question was that the council had a duty to use its assets sensibly i.e. by realising capital receipts. The council would be irresponsible not to mobilise the assets and sit on buildings that were no longer fit for purpose. The finance director added that the Department for Communities and Local Government was looking at how local authorities used its assets and this would become part of the inspection regime in the next couple of years. His view was that as a large property owner Southwark would be scrutinised closely and the council was currently not making the best use of its assets.
- 1.19 The committee sought assurance that the process had been thought through properly. Officers stated that it had not been a hurried process. The business case was developed 10 months ago and the council had been searching the market since. An individual executive member decision was taken in August 2006 following work on efficiencies and options available in the borough. Other accommodation options had come up but the council had either missed the opportunity or the terms were not agreeable, so these were not modelled in the business case. There was a priority to move staff from unsuitable accommodation in Chiltern House and the Chaplin Centre and integrate staff in children's services, and the proposed location presented a suitable opportunity. If this was missed it could be some time before another opportunity presented itself.

- 1.20 The committee wanted to know what happened to the proposal that Town Hall staff would relocate to Hannibal House. Officers explained that an earlier report to executive proposed short, medium and long-term programme for office accommodation. The short-term option was to move to Hannibal House, however once more detailed work was carried out on the option, it was found that it was not feasible in terms of costs and efficiencies. The current proposal presented a medium-term solution. A council presence in Elephant and Castle had not been discounted and would be considered as part of a longer-term approach.
- 1.21 Clarification was sought on the need to consult with the community when deciding whether to sell public buildings. Officers confirmed that this was not a statutory requirement. The executive member suggested the council should rely on listed building status with regard to consultation and he said he would listen to the public opinion e.g. if there was a campaign to keep certain buildings for sensible reasons. The municipal presence would remain at 31 Peckham Road, subject to affordability considerations.
- 1.22 The committee queried what would happen if the decision was referred back to executive. Officers explained that the council was currently within a 25 working day exclusivity period, during which time there was considerable work to be undertaken (such as agreeing the terms of lease). Once the exclusivity period ended, other parties could become involved and the option could become more expensive.
- 1.23 The Chair invited comments from the committee. Members were in agreement that there was a need for a community impact statement, even if there was no statutory requirement for this. (The head of legal and democratic services advised that it was a corporate requirement as a way the council satisfied itself that it had met its equalities duties rather than a legal requirement). Some members were of the opinion that a decision should not have been taken without this information and wanted the decision referred back to executive. Other members did not want to hold up the process but wanted to see an impact assessment provided within the exclusivity period in order to further inform the executive.
- 1.24 One member thought that staggering the sale of existing buildings with a view to building one large accommodation building was an option, and therefore should have been considered. Another member noted that whilst there was a tendency to want to own, it would not give the same economies of scale.
- 1.25 A member proposed that the decision be referred back to executive within the exclusivity period to provide a community impact statement on the Camberwell, Walworth and Bermondsey areas. The proposal went to vote and was lost.

RESOLVED: 1. That the Overview and Scrutiny Committee accept the decision of the Executive, subject to a community impact assessment and statement being produced and agreed by the Executive prior to the signing of any Agreement to Lease.

(Note: Councillors Fiona Colley, John Friary, Barrie Hargrove and Chris Page requested that their votes against the above resolution be recorded.)

- 1.26 The Chair invited comments from the executive member for resources. The executive member for resources agreed to progress the decision and make a community impact statement available to executive and members as soon as practical.

The meeting concluded at 8:05 p.m.

CHAIR:

DATED: