

OVERVIEW AND SCRUTINY BOARD

A meeting of the Overview and Scrutiny Board was held on 20 November 2020.

PRESENT: Councillors J Thompson (Chair), B Cooper (as substitute for Councillor Saunders), D Coupe, L Garvey, A Hellaoui, T Higgins, T Mawston, C McIntyre, J McTigue, J Platt, E Polano (as substitute for Councillor Hill), M Storey and Z Uddin.

PRESENT BY INVITATION: Councillors A Bell, B Hubbard, G Wilson and Mayor A Preston.

OFFICERS: C Benjamin, S Bonner, C Breheny, R Horniman, C Lunn, T Parkinson and S Reynolds.

APOLOGIES FOR ABSENCE: Councillors C Cooke, S Hill and M Saunders.

DECLARATIONS OF INTERESTS

There were no declarations of interest made at this point in the meeting.

CALL-IN – FUTURE OFFICE ACCOMMODATION UPDATE

The Chair welcomed attendees to the meeting and provided an outline of how the call-in would proceed.

The Chair confirmed that the subject of the call-in was the decision made by the Executive on 27 October 2020 – ‘Future Office Accommodation Update’.

The Mayor and the Director of Regeneration and Culture were in attendance at the meeting to explain the reasons and rationale behind the report, and the decision that was made.

Councillor Bell, the proposer of the call-in, and one of the supporting Members, Councillor Hubbard, were in attendance to explain why the decision had been called-in and what should be reviewed.

In terms of the procedure to be followed at the meeting, a copy was shown at Appendix 2 of the submitted report. The Councillor proposing the call-in (Councillor Bell) would be afforded 15 minutes to present his case, which would include any statements from witnesses. At the end of the presentation, the Mayor would have the opportunity to question the proposing Councillor for five minutes, which could include input from officers from the relevant service area.

The Mayor/service area would then have 15 minutes to provide the reasons for the decision, after which the proposing Councillor would have the opportunity to question the Mayor/service area for five minutes.

The Overview and Scrutiny Board (OSB) would then be given the opportunity to ask the proposing Councillor and the Mayor/service area questions. Following this, the proposer and the Mayor would each be given five minutes to present a closing submission.

Following debate by the OSB Members, a vote would be undertaken as to whether OSB Members felt that the decision should be referred back to the Executive for reconsideration.

The Chair invited Councillor Bell to present his case to OSB, and explain why the decision had been called-in. Councillor Hubbard would be sharing the 15 minute time allocation with Councillor Bell.

Councillor Bell made the following comments as part of the presentation:

- The decision had been called-in to ensure the residents and businesses of Middlesbrough that the Council had achieved value for money, and had followed due

process.

- The Council's value for money statement in the annual accounts was unacceptable.
- It was felt that the decision was taken improperly and without sufficient information to provide validity. The decision concerned spending over £150,000 of Council Tax payers' money, and no information was provided in respect of:
 1. Why the cost may be over £150,000;
 2. What the exact cost would be;
 3. What the money was required for;
 4. What the money would be spent on or how;
 5. What would be achieved on the spend; and
 6. No alternatives to spending £150,000 were provided. No options exploring other ways of achieving the aim stipulated in the report were provided.
- It was felt that, without the basic information described above, it was not possible for Members to be assured of correct decision-making, and value for money could not be demonstrated.

In terms of the value for money aspect, Councillor Hubbard was invited to speak in favour of the call-in and made the following points:

- The term 'qualified' in accounting terms was not a good term. The term 'qualified' was usually viewed as one with positive connotations, e.g. 'a qualified Doctor', but in audit terms was negative.
- In previous years, Middlesbrough Council had had its accounts qualified due to value for money. Councillor Hubbard felt that, firstly, Councillor Bell was correct in his concerns that he was trying to protect public funding and achieve value for money for the tax payer, and secondly, he was trying to protect the Council from having its accounts qualified.

At this point in the meeting, the Chair invited the Mayor to pose factual questions to the call-in proposers, of which there were none.

The Chair invited the Mayor to present the case for the Executive; the following comments were made:

- This was an important and positive process and the challenge was welcomed.
- It was felt that the call-in was partly built on a misunderstanding that £150,000 was going to be spent; what was actually being sought was the right to use some money, up to a maximum of £150,000.
- In terms of context, it was explained that a new development had been built in Centre Square, which was located next to the Civic Centre. There had been plans to move all Council staff into that building, however, the decision was taken, in light of the public's interest and finances, to halt that move and instead market that building for commercial use. Subsequently, two tenants for the buildings were found: First Source and Causeway. The decision had created jobs in the Town Centre and provided opportunity for the Council to generate income, but it was acknowledged that staff did need to move.
- It was felt that the Civic Centre was no longer fit for purpose. In relation to COVID-19 and going forward, it was unknown at present as to what the demands on office accommodation would be. Reference was made to work undertaken two/three years previously in respect of office accommodation requirements, which had now changed significantly. It was indicated that the cost to move the Council would potentially be circa. £40m, and therefore careful planning was imperative to ensure that public finances were well spent, that the building was environmentally sensitive, and offered a positive place to work. It was felt prudent to spend circa. £100,000 (a quarter of one percent of £40m), on contracting professional consultancy services with the expertise to examine all of the options available, and identify the most appropriate. To not spend this money would result in the commissioning of a circa. £40m building that may not be appropriate to the Council's needs, may not be in the correct location, lack environmentally friendly credentials, and may not last a sufficient period of time.

It was acknowledged that additional spend may be required, which was why a figure of up to £150,000 was being requested.

At this point in the meeting, the Chair invited Councillor Bell to pose any factual questions to the Mayor.

Councillor Bell commented on the unknown state of affairs at the present time; owing to COVID-19 the requirements of office accommodation could not be determined. It was hoped that when the COVID-19 situation did improve, the requirements around office space would become clearer, and it would therefore be prudent to pause this work until that time. To undertake research/evaluative work now would not provide value for money. Reference was made to the current condition of the Civic Centre, and to the proposed move to Centre North East. It was queried why Council staff were not being used to undertake the process of evaluating new offices, rather than appointing external consultants. In response, the Mayor advised that Council staff would potentially be used for some of the work. It was reiterated that expenditure of up to £100,000 was anticipated, although £150,000 was being requested in order to accommodate increased spends. It was recognised that the Civic Centre was no longer fit for purpose, and reference made to research that demonstrated that working in good buildings increased productivity. Consideration was given to the potential cost to Council Tax payers over the last 20 years in maintaining an environmentally inefficient building, but also in terms of staff absence. It was indicated that a move was unavoidable, and to delay commencing this process would be inappropriate. It was explained that this money would need to be spent regardless of when the project commenced, and to delay the process for a significant period of time was therefore unnecessary. It was indicated that some of the work could be completed in-house by Council employees, but elements requiring more specialist knowledge would require input from external sources.

At this point in the meeting, the Chair invited OSB Members to ask questions of both Councillor Bell and the Mayor.

A Member requested clarification on how the £100,000 (potentially up to £150,000) would be spent. In response, the Mayor explained that when developing a building for circa. £40m, between £4-6m would be spent on consultation, which included cost consultants, architects, planners, designers, etc. This spend would be part of the £40m total. It was indicated that in order to ensure a building fit for purpose, to achieve value for money for the Council and Council Tax payers, and to achieve the highest staff productivity, this money needed to be spent in procuring the best advice from the most appropriate sources. The Mayor highlighted that he had neither priced any consultant nor negotiated any contracts with any consultants, and there was no particular work or building currently in mind. This procurement work would be undertaken by Council officers.

A Member sought clarification from Councillor Bell as to whether he would be prepared to have £100,000, or up to £150,000, spent at a future time, when there was more certainty around the need for office space. In response, Councillor Bell made reference to his previous enquiry of the Mayor around the utilisation of in-house Council employees to undertake research/evaluative work. It was felt that Council employees could be used; £150,000 to be spent on consultants for option appraisal purposes was a lot of money. It was indicated that the requirements around office space were unknown at present and that a pause in proceedings would be preferred (so as to avoid the need of revisiting option appraisal work post-COVID-19). It was felt that in-house staff should be used wherever possible in order to save on cost; expenditure of £150,000 did not offer value for money. The Mayor clarified that the purpose of this work was not to guesstimate staff levels at a specific point in the future, but was instead concerned with establishing the most appropriate design for a building (its shape, locality, facilities, etc.), and then scale up from there. This was the beginning of a three year process and plans could be adjusted as the project developed. Essentially, the money needed to be spent, and could not be saved through delaying the start of the project.

A Member made reference to the Civic Centre and queried whether a survey had been completed as to its current condition and potential lifespan. In response, the Mayor advised that consultants will have reviewed the building in the past. The Director of Regeneration and Culture provided details of the work carried-out to date, together with potential next steps. A

lot of examination work around the different options available had been undertaken previously, which had included completion of relevant surveys and consideration of the future maintenance liability of the Civic Centre. This was then compared against various options, including new builds, and this was how the decision regarding a potential move to Centre North East was reached. As the Council would no longer be moving to Centre North East, further work was now required. Details were provided in relation to the comparative analysis work undertaken in respect of different accommodation options. In terms of the previous work carried-out in respect of the Civic Centre, this would be revisited again because things will have changed. This would be a key factor in any options appraisal work carried out. The Mayor felt that the Civic Centre was no longer fit for office use, unless the same amount of money for a new build the same size was spent on it. Mention was made of alternative uses; the Council had been advised that the building could potentially be converted for residential use. In response to a supplementary question, the Director of Regeneration and Culture confirmed that the previous report regarding the Civic Centre could be provided. There was no categorical lifespan determined, but that report would be circulated to all Members of the Board for information.

A Member referred to a previous report prepared in respect of the Civic Centre, which suggested that expenditure of £1.7m was required for immediate maintenance improvements to make it fit for purpose. Further, almost half of the total maintenance improvements required to make it a suitable building for staff would need to be spent in the first five years, and would cost £6.4m. Consideration was given to the current condition of the building, with reference being made to the presence of asbestos, a lack of disabled toilet facilities, a lack of fire escape refuge space, and poor air conditioning/heating systems. It was queried why an assessment of how long the delay might be with the £150,000 being spent was not included in the report, and why financial details regarding the upkeep of the Civic Centre for the time taken to reach the end of this project were not included in the report. In response, the Mayor acknowledged that it was possible that more information could have been included in the report in terms of timescale/delay information, although it was felt clear that if plans for development of a building were in progress, then this was at an early stage. Construction of a new building would take between one and five years, and therefore it would be a few years before Council staff could move in. The Member accepted this view, but commented that in reports such as this, it was important to ensure that as much detail as possible was included, and that the terms and language contained within these were clear and appropriate.

A Member referred to the comments made regarding staff productivity and highlighted that Council staff would now be working in the Civic Centre for potentially three or four more years. In reference to the condition of the building, it was queried what message would be conveyed to staff in this regard. In response, the Mayor felt that the decision to halt the move from Civic Centre into the new building was 100 percent correct, as it had created jobs in the Town Centre and ensured that public finances had been cared for. It was explained that Council staff were important, but Middlesbrough as an entirety needed to be cared for. The fit out for the building for Council staff would potentially have been £2-3m plus, and whether it would have been suitable for the Council's requirements was unknown. It was highlighted that Council staff deserved a good building to work in; the message to staff would be that the most intelligent, welcoming, friendly, social and affordable building, with excellent green credentials and longevity, which the whole of Middlesbrough could be proud of, would be provided.

A short discussion took place regarding Council staff, many of whom were committed and hardworking, and who deserved a positive environment in which to work. The Mayor highlighted that he needed to decide what to do in the best interests of both staff and the whole of Middlesbrough.

A Member agreed with the view that it would be prudent to delay spending the money until the situation with COVID-19 had improved. It was queried how the £150,000 would be spent. In response, the Director of Regeneration and Culture explained that the reason why there was no information detailing this in the report was because it largely depended upon what potential options were pursued. If, for example, refurbishment options were shortlisted, this would require expenditure on testing the condition of the pre-existing building (such as checking the structure and foundations, operation of the lifts, etc.). Alternatively, if examining the option for a new build, the money would be spent on such aspects as design for mechanical

engineering. Therefore, a breakdown of spends could not be provided until the work to narrow down the options had been completed. Expenditure on external consultancy services would only be made when it was necessary to evaluate specific projects, once the options had been narrowed down.

A Member queried insurance cover in relation to external advice being sought, in particular, whether the Council would be covered if poor advice/practice resulted in significant financial expenditure for the Council. Supplementary to this, it was also queried whether, if this were not the case, would it be more appropriate to spend the money on in-house training to ensure receipt of a full and factual internal report. In response, the Mayor confirmed that anybody providing professional services was legally required to, and almost certainly would have, professional indemnity insurance in place, which would allow for any large financial claims to be made against the providers' insurers. In terms of training Council staff to undertake the work, it was felt that this could happen, but as these skills were so specialised and used so infrequently, it was not felt to be a viable option for a Local Authority of Middlesbrough's size to do.

In response to an enquiry regarding the maximum period of time that this expenditure could be delayed for, the Mayor advised that nothing could be gained in delaying this decision, as the money would need to be spent regardless, whether in six months' time or two years' time. To delay this would also mean a delay to staff moving to a more pleasant and environmentally efficient building. Consideration was given to the timeframe as to when in-house work would be undertaken, when external consultancy work would commence, and what tasks would be involved.

A Member referred to value for money and queried Councillor Bell's perspective on this. In response, Councillor Bell indicated that this was about ensuring that the residents of Middlesbrough received value for money in respect of their Council Tax payments and, on this occasion, it was felt that this was not being achieved. The COVID-19 pandemic currently continued, and it was felt that, to ensure value for money, this decision/expenditure should be halted until it was known exactly how many Council employees would be moved into offices, working from hubs, and working from home.

In response to an enquiry regarding major capital investment projects and engagement in a full and detailed viability study as a starting point to ensure successful delivery, the Mayor indicated that it was critical that, prior to engagement in any significant project, supreme confidence in doing the right thing was a necessity. This included risk awareness, consultation with stakeholders, etc. Regarding viability, it was important to look at a project carefully, seek advice from experts, seek challenge from other people, and work out whether it was a good and sensible thing to do.

A Member made reference to the Mayor's previous comments regarding potential conversion of the Civic Centre for residential use, and queried whether further details could be provided regarding this. In response, the Mayor advised that Middlesbrough Council had not commissioned or solicited any work. Two private developers had independently approached Council officers and suggested that they would be interested in converting the Civic Centre. They had undertaken their own work and studies, looked up plans and believed there was some viability there.

A short discussion ensued regarding Council staff. The Mayor reiterated the view that many were committed and hardworking and deserved a positive environment in which to work.

At this point in the meeting, the Chair invited the Mayor to present a closing submission. The following points were made:

- The Mayor thanked the Board for the opportunity to attend this meeting.
- It was hoped that the situation had been clarified, and emphasised that this decision needed to be progressed with some speed, but would not be rushed. The money needed to be spent wisely, and investment made for a sustainable viability.
- The building needed to be environmentally sustainable and needed to ensure that it offered staff a positive working environment.

- To achieve these objectives, some financial expenditure was required, and it was felt better to spend it now, as it would need to be spent irrespective of time frame.

At this point in the meeting, the Chair invited Councillor Bell to present a closing submission. The following points were made:

- Councillor Bell thanked the Board for the opportunity to attend this meeting.
- It was felt that expenditure of the monies in procuring consultants should be delayed for a period of six months, pending the current situation regarding COVID-19.
- In the interim period, internal personnel could look at certain aspects of offices in the town, or desired locality, and then in six months' time, when there was potential clarity as to office space requirements for the Council, proceed with this then.
- It was felt that the best option would be for the Council to fund and build a new office, as this would negate the need for rental payments to an external developer/landlord, but also potentially build some additional offices as necessary to allow for these to be rented out (and therefore generate income for the Council).

At this point in the meeting, the Chair invited the OSB Members to debate the information provided. The following points were made:

- A Member commented that if the report contained more information regarding context and historical background (including, for example, details about previous studies that had been undertaken; the current condition of the Civic Centre; and the importance of moving staff from the Civic Centre), that would have provided Members with an enhanced viewpoint to review the options available and to understand the importance of finding a new place for staff to work.
- A Member felt that further detail was required in respect of the report and supported the view that the decision be referred back to the Executive for reconsideration of a further, clarified, report.
- A Member agreed with the viewpoints of other Members, but felt a more detailed report ought to be prepared, with a more detailed explanation of where the money was needed with regard to consultants, and what work could and could not be completed in-house.
- A Member commented upon the importance of options appraisal. It was felt that expenditure up to £150,000 would be acceptable, if required, but option appraisal was a necessity to achieve value for money for the Council and for the people of Middlesbrough, and to ensure that the building moved to was fit for purpose.
- A Member agreed that further detail was required in a report of this nature, in particular details pertaining to financial expenditure of such large sums. It was felt that additional information as to background, context and options appraisal was required for this report, and reports of this nature in the future, so that decisions could be taken.
- A Member acknowledged the importance of progressing with the work, but also the view of increasing the detail within the report. All sides of the argument were understood, but it was felt that the sooner new premises were provided for staff, the better. The money had already been budgeted specifically for this project, and this needed to be understood.

At this point in the meeting, the Chair advised the OSB Members that a vote on whether to refer the decision back to the Executive would be undertaken. The decision to refer the decision back to the Executive was unanimous.

The Board was of the view that the original report to the Executive did not contain the sufficient level of detail required to make an informed decision, and therefore as part of its referral, the Board proposed the following recommendations to assist the Executive:

1. That the report be revised to include further clarity, for example, about where the funds cited would be spent; and
2. That additional contextual information be provided in the report, as this would be beneficial to explain the background of the original proposal and subsequent decision.

ORDERED:

1. That the Executive decision of 27 October 2020 regarding the 'Future Office Accommodation Update' be referred back to the decision maker for reconsideration; and
2. That the Executive held regard for the following recommendations when reconsidering the decision:
 - That the report be revised to include further clarity, for example, about where the funds cited would be spent; and
 - That additional contextual information be provided in the report, as this would be beneficial to explain the background of the original proposal and subsequent decision.