

# North Tyneside Council Report to Cabinet 9 June 2014

## ITEM 5(a)

Report from Overview and  
Scrutiny Committee –  
Wallsend Customer First  
Centre

**Portfolio(s):** Elected Mayor  
  
Leisure, Culture and  
Tourism  
  
Community Engagement

**Cabinet Member(s):** Mrs Norma  
Redfearn  
  
Cllr Eddie Darke  
  
Cllr Carole Burdis

**Report from:** Overview and Scrutiny Committee

**Wards affected:** All

### PART 1

#### 1.1 Purpose:

The purpose of the report is to present recommendations from the Overview and Scrutiny Committee in relation to the finance and leasing arrangements of the new Wallsend Customer First Centre.

In accordance with Section 21B of the Local Government Act 2000, this report gives written notice of the recommendations. Cabinet is required to consider the recommendations and must provide a response to the Overview and Scrutiny Committee within 2 months of the date of this meeting. In providing this response Cabinet is asked to state whether or not it accepts each recommendation and the reasons for this decision. Cabinet must also indicate what action, if any, it proposes to take.

#### 1.2 Recommendation(s):

Cabinet is recommended to:

- (i) note the concerns raised by the Committee in relation to this particular project,
- (ii) identify any general lessons that can be learnt in relation to decision making on future projects of this nature.

#### 1.3 Forward plan:

The report was included in the forward plan for the period from 19 May 2014 under the matters arising from Overview and Scrutiny Committee and its sub committees heading.

## **1.4 Council plan and policy framework**

This report links to 'Our North Tyneside' Council Plan, particularly to Priority 1 – Our People - to develop our sports, cultural and customer facilities to promote better health, well-being and to reduce social exclusion; and Priority 2 – Our Places – to invest in high quality infrastructure to provide excellent recreational facilities for residents and visitors, as outlined in the 2013/14 Action Plan.

## **1.5 Information:**

### **Background information**

The Overview and Scrutiny Committee has recently undertaken scrutiny of the finance and leasing arrangements relating to the Wallsend Customer First Centre. As a result, the Committee raised some concerns about these arrangements and the comprehensiveness of the information considered during the decision making process.

This report sets out the concerns raised by the Committee and recommends that these issues are taken into account in future should any similar projects be under consideration.

In undertaking this scrutiny exercise, the Committee considered reports at two meetings of the Committee. These reports containing detailed information on the background to this project and the decision making process. Members of the Committee also undertook a visit to the Customer First Centre prior to the opening of the centre.

Following the first meeting the Committee requested that further information be provided to the Committee, including the confidential information received by Cabinet at the time that decisions were made in agreeing the lease for this building. In addition, Members put forward 44 questions to officers. Responses to these questions were received and considered at the meeting of the Committee on 31 March 2014.

As a result of the information received, the Committee identified a number of present issues and concerns.

The Committee recognised that decisions relating to the Wallsend Customer First Centre were not taken by the current Cabinet and Administration, but was of the view that Cabinet should reflect on what has happened in relation to this development and where we now find ourselves as a Council.

In summary, the main concerns raised by the Committee were:

- That Cabinet made a somewhat hasty decision to enter into a very long term leasing arrangement for the Wallsend Customer First Centre and the information requested and considered by Cabinet in making this decision was not comprehensive enough. The Committee was of the view that evidence was slight and not of the quality and extent expected by this Council;
- That evidence could not be provided to the Committee on the explorations undertaken to find alternative sites or the cost comparisons made to ensure value for money. In addition, no external verification was undertaken and no benchmarking took place to evaluate the costs of the arrangement against those in comparable small towns in the region, such as South Tyneside.

- The Committee had particular concerns in relation to the 2<sup>nd</sup> floor of the building which is currently not in use. The Committee was disappointed that there were no plans for the use of the 2<sup>nd</sup> floor at the time the decision was made to enter into the lease and that 'fitting out' costs were not drawn up at this time, even though this would be a requirement before the 2<sup>nd</sup> floor could be used. The committee also questioned the delay in marketing the 2<sup>nd</sup> floor as a viable work space, as there is no prospect of the space being used in 2014. The Committee highlighted that rent is being paid for unused space and this seems a waste of resources in these tough times. In addition, access arrangements for this space are very complicated, and this will make it very difficult for any independent business to access the top floor. The access arrangements had not been thought through adequately during the development period.
- The Committee highlighted the need for accountability when decisions of this nature are made, and was disappointed with responses suggesting that information was no longer available, as those involved had now left the authority. It was suggested that a more robust audit trail and evidence of decision making should be available to enable future scrutiny of decisions.
- The Committee questioned the value for money of the leasing arrangement given the 30 year financial commitment involved, with no capital asset at the end of the lease. The Committee also had concerns about the nature of the 30 year lease at the rent levels given, with no break clause, and with the addition of service charges and internal repair costs. Evidence could not be provided to the Committee on the potential value to New River, the owner of the Forum, of the Council as an entity providing a 30 year anchor tenant paying a rent increase of RPI each year over the lease period. There was no evidence that the Council had sought to use the Council's blue chip status to negotiate incentives from New River, such as rent free periods or other benefits, which could have given more value for money to the council tax payer.
- The Committee was concerned about the 'shelf life' of the building. The Committee was informed that the building should be good for the period of the term of the lease, but as with any refurbished building no guarantees could be given.
- The Committee was also concerned that the land that was to be cleared at Hedley Court had been dismissed without any great thought about a newly built facility on this land because of the timescales and the need move at haste. This could and should have been better explained and the arguments for and against given.
- The Committee also had concerns about the review of the use of Council buildings and when this began and when it will be completed. This was given as a reason to the Committee as to why the 2<sup>nd</sup> floor was not being looked at or marketed at the current time. However the decision to go ahead was taken in December 2012 with no regard to what would be the use of the 2<sup>nd</sup> floor.

In general, the Committee was of the view that the whole scheme, especially because of high costs, could have been better explained, options explored and debated, and greater consideration given to the project.

The Committee also considered that, although the facility is a good facility, the project reflects a significant amount of expenditure over a long period of time and the Council may not have achieved the best solution possible.

The Committee would like to refer these concerns to Cabinet and would be grateful if Cabinet could note the concerns raised by the Committee in relation to this particular project, and consider whether any general lessons can be learnt in relation to decision making on future projects of this nature.

## **1.6 Decision options:**

The following decision options are available for consideration by Cabinet:

### Option 1

Accept the recommendations of Overview and Scrutiny Committee

### Option 2

Reject the recommendations of the Overview and Scrutiny Committee

## **1.7 Reasons for recommended option:**

Overview and Scrutiny Committee recommends Option 1.

The Committee feel that the concerns highlighted are important issues that should be considered in relation to critical decision making on future projects of this nature.

## **1.8 Appendices:**

None

## **1.9 Contact officers:**

Joanne Holmes, Scrutiny Advisor, Tel: 643 5315  
Steve Bishop, Cultural Services, Tel: 643 7410  
Phil Scott, Head of Environment and Leisure, Tel: 643 7295

## **1.10 Background information:**

The following documents have been used in the compilation of this report and may be inspected at the offices of the author.

Overview and Scrutiny Committee: Reports and Minutes: January – March 2014

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

There are no financial implications at this stage.

### **2.2 Legal**

In accordance with Section 21B of the Local Government Act 2000, Cabinet are required to provide a response to the recommendations of the Overview and Scrutiny Committee within two months. In providing this response Cabinet is asked to state whether or not it accepts each recommendation and the reasons for this decision. Cabinet must also indicate what action, if any, it proposes to take.

### **2.3 Consultation/community engagement**

There are no consultation/community engagement implications at this stage.

### **2.4 Human rights**

There are no direct issues relating to human rights arising from this report.

### **2.5 Equalities and diversity**

There are no direct issues relating to equalities and diversity arising from this report.

### **2.6 Risk management**

There are no direct issues relating to risk arising from this report.

### **2.7 Crime and disorder**

There are no direct issues relating to crime and disorder arising from this report.

### **2.8 Environment and sustainability**

There are no direct issues relating to environment and sustainability arising from this report.

## **PART 3**

The following officers and Members have been sent a copy of the report for their information:

- Mayor/Cabinet Member
- Chief Executive
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager, Policy, Partnerships, Performance and Communications