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## EXTRAORDINARY SCRUTINY COMMITTEE

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**MINUTES** of the Virtual Meeting held via Skype on Thursday, 8 April 2021 from 7.00 pm - 9.44 pm.

**PRESENT:** Councillors Cameron Beart (Substitute for Councillor Pete Neal), Lloyd Bowen (Chairman), Richard Darby, Steve Davey, Mike Dendor (Vice-Chairman), Tim Gibson, Alastair Gould, James Hall, Carole Jackson, Lee McCall (Substitute for Councillor Denise Knights), Hannah Perkin, Ken Pugh and Bill Tatton.

**OFFICERS PRESENT:** Anne Adams, David Clifford, Philippa Davies, Charlotte Hudson, Kellie MacKenzie, Larissa Reed and Nick Vickers.

**ALSO IN ATTENDANCE:** Councillors Monique Bonney (Cabinet Member for Economy and Property), Roger Clark, Alan Horton, James Hunt, Peter Marchington, Richard Palmer, Ken Rowles, Sarah Stephen, Mike Whiting and Tony Winckless.

**APOLOGIES:** Councillors Denise Knights and Pete Neal.

### 618 INTRODUCTION

The Chairman explained that the meeting would be conducted in accordance with the Local Authorities and Police and Crime Panel (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020 No 392.

In welcoming all Members, the Chairman explained which officers were in attendance.

The Chairman reminded Members that the pre-election period had started and asked Members to be mindful of the need for scrutiny to be undertaken objectively rather than based on party politics.

### 619 DECLARATIONS OF INTEREST

No interests were declared.

### 620 CALL IN - MASTER'S HOUSE, SHEERNESS, LOW CARBON REFURBISHMENT

The Chairman explained that the purpose of the meeting was the call-in of the Cabinet decision on the low carbon refurbishment of Master's House, Sheerness, made at the Cabinet meeting on 17 March 2021. He asked the Chief Executive about the timescales for the grant funding and whether the call-in would have an impact? The Chief Executive outlined the position and confirmed that the call-in would not cause a problem in the application for the funding. The Chairman referred to the recommendations made at that meeting and also to the three reasons for making the call-in, as submitted on the call-in form attached to the

agenda. The Chairman added that the fourth reason 'outside the policy and budgetary framework' had been removed from the reasons as officers had advised that the decision was not outside the policy and budget framework. The Chairman invited the Cabinet Member for Economy and Property to speak.

The Cabinet Member for Economy and Property gave some background to Master's House and explained that it was owned by the Council and required substantial investment to bring it up to a standard so that it could be re-let. She outlined the poor state of the building and the proposals agreed at Cabinet on 17 March 2021 for funding the low carbon refurbishment. The Cabinet Member read out the recommendations from that meeting. She said the building had been let over a number of years, and its future use would be similar, but with improved facilities. The Cabinet Member said Master's House was a substantial building in Sheerness town centre and an important asset for the Council.

The Chairman invited Members to speak on each of the reasons for the call-in.

### **Reason 1 – Inadequate consultation relating to the decision**

The Chairman said that the project involved a substantial amount of money and he considered Members should have been consulted.

Members raised questions and points, as indicated by the bullet points below:

- Was the September time limit a fixed date to complete the work?

The Head of Property Services explained that the Council had been advised in February 2021 that the funding bid was successful, and once that was confirmed, it had made the project viable. She acknowledged that it was a tight deadline, which might be extended, but that was the date that was being worked to.

- If the date was not extended, would the funding be lost?

The Cabinet Member for Economy and Property explained that the £300,000 grant funding was for certain elements of the project such as solar panels and air source heat pumps. The Head of Property Services added that the grant funding was only part of the total amount of funds going towards the project, and that if £300,000 had been spent by September 2021, the money would not have to be returned.

- Was the deadline date arbitrary, as long as some monies had been spent?

The Head of Property Services confirmed that until an official announcement was made, the Council had to work to the original deadline, but she had been assured that an extension of time would be given. In the discussion that followed Members points included:

- Dismayed by the unofficial/official stance when talking about huge amounts of public money;
- which Council objectives did the proposed works achieve?;
- value for money needed to be considered;

- there was no certainty that businesses would take-up the space offered at Master's House;
- there needed to be evidence that businesses would benefit from the project;
- had the public been consulted?;
- this decision needed to be built on evidence, and ratepayers needed to be consulted;
- discussion with a few Councillors and others was not enough when spending such a large amount of money, a consultation was needed; and
- more information was needed on the businesses that would be taking up the space.

In response, the Cabinet Member for Economy and Property explained that she had spoken to a number of Members on the options for Master's House; to small businesses; present occupiers of the building; agencies and other business premises; and also the Dockyard Trust. The Council had also been approached by a number of different parties.

The Cabinet Member for Economy and Property explained that the project met a number of the Council's objectives, including tackling the climate emergency and economic development. The project also met a number of corporate targets, and she said that this was a good investment. The Cabinet Member explained that the Council was not required to consult on property that it owned. She added that action was needed on the building.

The Head of Housing, Economy and Community Services confirmed that the project met the corporate objectives. She explained that the building was already occupied by small businesses, but was in a poor state and needed to be made fit for purpose going forward. She said office rental in Sheerness was limited, so it was difficult to compare with other premises. Local agents had looked at rental figures at St. Georges Park, Sittingbourne for comparison. The Head of Housing, Economy and Community Services explained that demand could be shown, as the building was already occupied, and the project provided an opportunity for growth and development. The voluntary sector also required office space, although she acknowledged this would provide less income.

The Chief Financial Officer reminded Members that there were no borrowing costs related to the project and he considered it to be a sound financial proposal.

A Member asked how could the project be considered a growth opportunity as the property was already let? In response, the Cabinet Member for Economy and Property explained that the refurbishment, with an improved spec and better layout would result in more lettable space, and this would achieve a better income.

The Chief Executive explained that she and the Chief Financial Officer had met with Locate Kent and they had been very enthusiastic for co-working space on the Isle of Sheppey.

In response to a Member's question on letting interest, the Cabinet Member for Economy and Property explained that there was interest, but the project was a work

in progress and was not yet at the stage where tenants had been confirmed. She was confident with the proposed plans that there would be specific interest in due course.

The Head of Property Services confirmed, in response to a question, that whilst the building was within Sheerness Conservation Area, it was not a listed building, but was a non-designated heritage asset, and a heritage statement was required as part of the planning application.

In response to a Member's question on the breakdown of funding, the Chief Financial Officer referred to paragraph 3.11 in the Cabinet report. In the discussion that followed, the Cabinet Member for Economy and Property said that additional costs would be known, once the items had gone out to tender. The Head of Property Services confirmed that there was some uncertainty until the tender process. Contingencies were built-in to cover any additional costs.

A Member was concerned with some of the excluded items in the Quartz list in Section 2.0, paragraph 2.6 of the Quartz report, such as sprinklers and asbestos removal, and any additional costs. In response, the Head of Property Services said the project would be engineered-down to keep to the original budget.

A Member acknowledged that the Council might need to engineer-down to incorporate additional items, but was concerned that items such as sprinklers and asbestos removal were additional as considered they needed to be prioritised, and should be contained within the main items. The Cabinet Member for Economy and Property said that health and safety would be taken into account, and explained that at the moment Master's House was not fully accessible to all and this would be addressed.

The Head of Property Services explained that an asbestos survey had recently been carried out. There was a very minor presence of asbestos, and so the cost of removal was unlikely to be significant. She added that the design of the building meant there was no need for sprinklers. Members raised points including:

- Considered the report was inadequate, consultation should have been part of the decision-making process;
- the report should have shown a snapshot of proving there was a need for the facilities Master's House would offer;
- noted that Sheerness Town Council were consulted and had shown an interest, were there any more details?
- the location of Master's House was good, but there were better locations; and
- the lack of tests for take-up could leave the Council in a vulnerable position.

The Cabinet Member for Economy and Property explained that discussions with Sheerness Town Council were ongoing. She added that Master's House had a history of being used as office space.

Referring to recommendation (2) in the Cabinet report, a Member said that more detail was needed on this and the timeframe, especially with reference to paragraph 3.6 in the report. In response, the Head of Property Services referred to the start date of 31 March 2021, and said that this meant the project needed to be out to tender by that date. She explained that officers had worked on the design and procurement process for several months, and it was an assumption that matters would proceed after Cabinet in March 2021, but this had been delayed by the call-in.

Responding to a Member's question on the consultation with Locate Kent, the Chief Executive explained that it was not a consultation, but that she and the Chief Financial Officer had met with the organisation, and they had spoken about this type of facility being available in the Borough. She confirmed that it was not part of a formal consultation process. A Member highlighted the importance of a consultation. Other points were raised including:

- Master's House was currently occupied because the tenants were paying a peppercorn rent, it was likely they could not afford the new rental amount;
- concerns that Cabinet had made a decision without hearing the additional information presented to the Scrutiny Committee;
- clarification was needed on the rent predictions outlined in paragraph 3.16 of the report, and whether the refurbishment costs would be recouped;
- more information was needed on income potential and a base operating model and also marketing testing; and
- this was a lot of money, without a proper marketing survey and it was too speculative.

The Head of Housing, Economy and Community Services clarified the figures and the Chief Financial Officer explained that this was never presented as an investment with a pay-back period, it was done for regeneration purposes.

The Cabinet Member for Economy and Property said that wider consultation was not required as it had been demonstrated that there was a need, and these could be directly or indirectly managed by the Council as noted on page 79 of the agenda.

## **Reason 2 – Viable alternative not considered**

Members discussed Reason 2 and raised points including:

- What was the current market value of Master's House, and what would it be after the refurbishment?
- more information should have been presented on different options for the building;
- was this the right location for this type of use?;
- the Council could be left with an empty building;
- this needed to be the right option for the Council and the tax payer;
- viable alternatives had not been looked into;

- understood the building could have been sold, but this had not been included in the report;
- a lot of alternatives had been considered in the past and not gone forward, not taking the option outlined in the Cabinet report would be a missed opportunity;
- needed to bear in mind the time constraints that the grant had; and
- the points the Cabinet Member had made at this meeting, had been raised at the Cabinet meeting on 17 March 2021.

The Chief Financial Officer said the building was currently worth £295,000, but it was not appropriate for an officer to speculate on what it might be worth after the refurbishment, and added that the project was not about adding value.

The Cabinet Member for Economy and Property explained that the report did set out the building's options, and these could be looked at over and over again, with nothing being done to move forward. She added that the options needed to be reasonable: this was a small business space, the Council owned it and it was in the centre of Sheerness. It was quite clear that a business space was needed in the town centre, and this had been backed up by Locate in Kent.

Members raised other points including:

- Other options had free car parking and were nearer to train stations than Master's House;
- more information should have been presented in the Cabinet report;
- Sheerness and the Isle of Sheppey needed this investment; and
- this project needed everyone's support.

### **Reason 3 – Relevant information not considered**

In discussing Reason 3, Members made points including:

- If Members were not at the Cabinet meeting on 17 March 2021 they would have missed a lot of the information as it was not set-out in the report;
- the papers that the decision was made on did not include enough detail;
- details had only been forthcoming because of subsequent questions;
- did Cabinet Members know all the information that had been consequently been shared at this Scrutiny Committee meeting?;
- any discussions with Cabinet Members should have been included within the Cabinet report, rather than it being discussed now at this meeting.
- the implications of the project on the Dockyard Church scheme were not included within the report; and
- supported Sheerness needing investment.

The Cabinet Member for Economy and Property said the Cabinet report succinctly set-out the issues that needed to be highlighted to make the decision. She went on to explain that the Dockyard Church scheme was no threat to the Master's House

project, and the Dockyard Trust had been very supportive. There was no direct competition.

Councillor Cameron Beart moved the following motion: That whilst tendering for this project, the Council concurrently runs a public consultation with local businesses and stakeholders to ascertain if there was appetite for this proposal. Doing this concurrently would not delay the process. This was seconded by Councillor Mike Dendor. In the debate that followed, Members raised points including:

- In terms of the timeframe in relation to the grant considerations, further delay could jeopardise the whole project;
- needed to consider the financial implications of a consultation;
- the consultation could be done online;
- this was not to stop the refurbishment, but to see if there was an appetite for the proposed use;
- did not want to go 'blind' into the use;
- did not want Master's House to be a 'white elephant'; and
- the refurbishment could go ahead, it was the fit-out that needed to be tested.

The Chief Executive said there was always a cost implication when a consultation was held, and Members needed to be clear on what they were actually consulting on. The Cabinet Member for Economy and Property explained that the space would be market tested.

The Chief Executive suggested inclusion of the word 'public' in the recommendation might be confusing, and the proposer and seconder of the motion agreed that it should be removed.

Members raised additional points including:

- It might be beneficial to get the public's views, rather than companies that were already in existence;
- the public should be consulted, not just businesses; and
- suggest removing 'local' businesses so that it goes further afield.

The Chief Executive said the Council were not obliged to consult on the proposal at all. She explained that it would be difficult to consult further afield than Swale, and she repeated that it needed to be clear on what exactly was being consulted on.

The proposer suggested the questions on the consultation be based around: the business case; need for office space; interest in the office space; and views of other uses for the building.

In debating the proposed consultation, Members raised issues including:

- Were people being consulted on the need for regeneration or the business case?;

- the viable use of Master's House and whether it was the best use for Sheerness needed to be considered;
- if the project was already out to tender, was it wise to ask these fundamental questions at this point?;
- the project was not out to tender yet;
- suggested the regeneration of the building continued, but not do the fit-out until the consultation had taken place;
- this was just a wider consultation than the one that was going to take place in any case;
- we did not want to stop the project;
- the business case needed to be 'spot-on'; and
- consultation was needed to get the right use for the building.

The Cabinet Member for Economy and Property explained that the market testing would find out about rent levels and this was the standard approach. She explained that the proposed fit-out was not substantially different to what was there already, and further changes could delay the project.

The proposer referred to paragraph 3.7 in the report and said that if changes such as IT/electrics were made in the building for office use, and there was no market for this use, it could be a cost to the Council. He added that if the consultation was carried out at the same time as the tender, it would not delay the process.

The Chairman read out the proposal, with the omission of the word 'public', as below:

That whilst tendering for this project, the Council concurrently runs a consultation with local businesses and stakeholders to ascertain if there was appetite for this proposal. Doing this concurrently would not delay the process.

On being put to the vote, the proposal was lost.

Consequently, as there were no recommendations from the Scrutiny Committee for Cabinet, the decision made at Cabinet on 17 March 2021 would take effect on 8 April 2021.

The Chairman thanked the Cabinet Member for Economy and Property, all Members and officers.

## **621 EXCLUSION OF PRESS AND PUBLIC**

There was no discussion that required the resolution to exclude the press and public.

## **622 ADJOURNMENT**

The meeting was adjourned from 8.38 pm to 8.43 pm.

Chairman

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All Minutes are draft until agreed at the next meeting of the Committee/Panel