

**COUNCIL ASSEMBLY**

**(ORDINARY)**

**WEDNESDAY 6 JULY 2011**

**QUESTIONS ON REPORT**

**ITEM 5.2: CAPITAL STRATEGY AND PROGRAMME 2011/12 – 2020/21**

**1. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR CATHERINE BOWMAN**

The capital programme says "Reduction in funding for the MUSCo not proceeding". Is this evidence that the cabinet have abandoned the idea of a MUSCo and what will the cabinet do to ensure the people of Newington ward will still get clean, green and affordable energy?

**RESPONSE**

The company responsible for the MUSCo, Dalkia, was unable to develop a financially sustainable model to deliver this project.

The cabinet remains fully committed to developing clean, green and affordable energy solutions for the Elephant and Castle and we are working with Lend Lease to progress this work. As Lend Lease is taking responsibility for delivering these solutions, we no longer need to identify funding from our capital programme to take this forward.

**2. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR LISA RAJAN**

The cabinet member for finance, resources and community safety has decided to earmark in the capital programme any new homes bonus funding from the coalition government which is surplus to £1.5 million that was allocated to the revenue budget. However, on 07 June 2011, the cabinet member informed myself and six other members in an e-mail exchange that this additional £1 million new homes bonus funding had already been allocated to the Youth Fund in the revenue budget and therefore could not be used to save the Pumphouse. Please can he explain this misleading discrepancy?

**RESPONSE**

There was no intention to create any misleading discrepancy and I am now pleased to be able to report that the capital refresh report considered by council assembly this evening fully allocates all remaining estimated new homes bonus resources to capital projects that add value and worth to important schemes for the future across the borough. To be helpful, it is useful to recall some recent history of this new funding source to the council.

As part of council assembly's agreement of the budget in February 2011, some £1.5m was allocated within the 2011/12 budget base. At the time of budget setting the cabinet formally noted the level uncertainty on the new homes bonus grant, including how and when it will be distributed, the conditions of the

scheme (especially beyond 2012/13) and the basis for the calculation. This resource was used to support overall service demands on the general fund. This level of funding is assumed in the budget to be available for at least each of the three years between 2011/12 and 2013/14. In addition, council assembly agreed to the provision of an annual £1m contribution to support young people through a youth fund, created for specific purposes as set out in a subsequent cabinet report.

At the time of writing on 7 June no final decisions had been taken by cabinet on the use of additional new homes bonus resources, although government had by then confirmed the 2011/12 allocation of new homes bonus at approximately £2.5m. This created an additional resource of £1m that had been scheduled to be returned to an earmarked reserve in line with the budget report to cabinet on 15th February for future allocation by cabinet.

It is true to say that the cabinet may have chosen to allocate the additional £1m to finance the youth fund which was my preference at the time. This would have enabled a lower of contribution from balances to have been required which would have provided greater comfort given that the budget agreed in February was already using balances of £3.4m in 2011/12 alone and the extent of the demands on services to generate savings of £33.8m in 2011/12 alone. At that time, any suggestion that these resources may have been made available to reverse council assembly decisions would not have been appropriate in any circumstances.

Hopefully the full allocation of NHB resources now removes any uncertainty or confusion that I may have unintentionally created.

We are delighted to be both continuing to progress the youth fund, a critically important measure that we have introduced to mitigate the harm from the coalition government's policies impacting on our borough's young people, and delivering the ten-year capital programme that we are considering this evening to deliver the facilities that our residents deserve and to create opportunities for communities across the borough.

**3. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR TIM McNALLY**

How much of the allocated £10.69 million for the office accommodation strategy in the capital programme is allocated for the new offices in Queens Road Peckham? Please can the cabinet member provide the cost per square metre of fitting out the new offices in Queens Road Peckham and how this compares to the square metre fit out costs of the Tooley Street offices?

**RESPONSE**

The total Queen's Road capital allocation is £4.92m. These costs will be effectively funded from the disposal of buildings liberated as staff move into Queens Road. These disposals include of Southwark and Bermondsey Town Hall along with a number of other sites. Prudent estimates suggest that the total value of the disposals will exceed the fit out costs and any surplus disposals will be returned as resources to the capital programme. In addition disposals of property in the HRA portfolio will provide receipts that will become available for housing purposes.

It is difficult to make a direct comparison between the fit out costs of the two buildings given that the council has taken leases on Queens Road and Tooley Street at very different stages in construction and internal fit-out. Tooley Street was at a more progressed stage of construction when the council took over the project from the developer, with mechanical and engineering equipment (M&E) such as heating, air conditioning and lifts already installed. At Queen's Road much M&E is yet to be installed and these costs are included in the capital allocation. This difference is reflected in the different lease arrangements for each building. The chart below sets out the project costs and compares them with Tooley Street by making a distinction between "Cat A" works completed at both Tooley Street and Queens Road by the council, and "Cat B" fit-out works that are required at Queens Road, but were completed at Tooley Street prior to the council taking the lease.

Location	Type of work	Cost basis		£/m <sup>2</sup>
Tooley Street	Cat A fit-out	Actual		540
Queens Road:	Cat A fit-out	Estimated		725
	Cat B fit-out (i.e. M&E, structural alts, etc)	Estimated		726
Queens Road total :				1,451

The factors influencing higher comparable' Cat A cost/m<sup>2</sup> costs at Queens Road include:

1. Inflation
2. Smaller floor area meaning less economy of scale
3. A less efficient shape of floor plate at Queens Road

It should also be noted that the cost of the lease per m<sup>2</sup> at Queen's Road is significantly less than at Tooley Street (£120 per m<sup>2</sup> compared to £318 per m<sup>2</sup>).