

Cabinet

Tuesday 16 July 2013

4.00 pm

Ground Floor Meeting Room GO2A, 160 Tooley Street, London
SE1 2QH

Supplemental Agenda No.1

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Item No. 21.	Classification: Open	Date: 16 July 2013	Meeting Name: Cabinet
Report title:		Revenue Outturn Report 2012/13, including treasury management	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY

This report sets out the Council's outturn for its 2012/13 revenue budgets and asks Cabinet to agree the budget movements set out in Appendix A.

On the general fund, overall departments met the savings required for the year. There have been particular pressures on Children's Services but these have been balanced by significant further savings achieved by other departments.

For the Housing Revenue Account, there is a favourable variance, mainly as a result of systematic improvements in contract management and cost control which continues to deliver greater value overall. This is in stark contrast to the deficit run on the HRA a few years ago. The report also sets out future pressures on this budget that are likely to arise through government's welfare reform and the Council's re-housing programme.

The report also identifies movements in the Council's reserves.

The Collection Fund delivered a surplus in the year, partly as a result of the work carried out to target single person discount fraud for council tax in the autumn. This is welcome news given the particular challenges facing council tax collection in 2013/14 arising from government's abolition of Council Tax Benefit.

On the Council's Treasury Management activity, the most significant transaction has been the purchase of 160 Tooley Street. The impact of this purchase is set out in the report and it is noted that savings are already being reported as a result of the acquisition.

RECOMMENDATIONS

1. That the cabinet:
 - notes the general fund outturn for 2012/13 and movement on reserves,
 - notes housing revenue account's (HRA) outturn for 2012/13 and movement on reserves,
 - approves the general fund budget movements as set out in Appendix A,
 - notes the schools budget outturn, which has been taken to the dedicated schools

- grant reserve,
- notes the collection fund's year-end surplus,
- notes the treasury management activity for the year

BACKGROUND INFORMATION

2. The purpose of this report is to present the council's financial position for the general fund, the HRA and planned use of reserves and balances for 2012/13. It also reports on specific performance in meeting targets for budget savings, the outturn position on the collection fund and the treasury management activity for the year. Any key variations against budget are explained.
3. The council agreed a balanced general fund budget of £308.2m on 29 February 2012 based on a nil council tax increase. This budget was set in the context of further significant overall cuts in government funding and the identification of some 25% of savings proposals over the three years from 2011/12 to 2013/14. These savings have been necessary to mitigate against the reduction in resources received from the government and to continue to fund the council's commitments in terms of services provided.
4. In setting the budget the council continued to strive for a Fairer Future for All in Southwark despite the challenges of the national financial climate. Key elements of the 2012/13 budget included:
 - A further year's freeze in Council Tax
 - The introduction of clear plans to ensure that the London Living Wage benefits not only directly employed staff but also those who work for the council through employment agencies or through contractors
 - The establishment of a new Cleaner Greener Safer revenue fund for community councils to determine, devolving more decisions to a more local level
 - The establishment of a community restoration fund to respond to the challenge of the August 2011 disorder events
 - The use of £4.4m from the council's reserves to help with the pressures on the budget
 - Further rollout of the Free Healthy School Meals programme for primary schools to include years 2, 3 and 4 from September 2012, in addition to the coverage of Reception and Year 1 classes
 - Further reduction in Meals on Wheels prices
 - Continuing the Voluntary Sector Transition Fund scheme established in 2011.
5. The council also agreed budget reductions of £28m and commitments of £10.2m within general fund for 2012/13. Performance on achieving these savings was closely monitored and details are provided in paragraphs 62 to 68 below.
6. The Council Plan placed local needs and accountability as the drivers of performance improvement. In an environment of significantly reduced funding, the council has to change in fundamental ways. A number of transformation projects are underway, and work continues to identify further ways of transforming the delivery of services. These transformation or 'invest to save' projects will continue to be funded from any favourable budget variances identified or previously created

earmarked reserves.

7. This report presents the outturn position on the net revenue budget. The draft Statement of Accounts was signed by the strategic director of finance and corporate services on 29 June 2013. These accounts reflect this outturn position including any technical accounting adjustments.

KEY ISSUES FOR CONSIDERATION

General fund overall position

8. In February 2012, Council Assembly set a net budget for the year 2012/13 of £308.2m. Table 1 below provides an outturn position of £307.7m net use of resources against budget.

Table 1: General fund outturn position for 2012/13 at year end

General fund	Original budget £'000	Budget movements £'000	Revised budget £'000	Spend in year £'000	Reserve movement £'000	Total use of resources £'000	Variance £'000
Children's services	85,766	175	85,941	84,700	1,604	86,304	363
Adult social care	107,718	(42)	107,676	99,434	7,594	107,028	(648)
Environment and leisure Housing and community services	70,412	(414)	69,998	72,607	(2,626)	69,981	(17)
Chief executive's department	44,065	(4,381)	39,684	40,066	(443)	39,623	(61)
Finance and corporate services	19,007	2,152	21,159	20,125	991	21,116	(43)
Customer services centre	41,483	935	42,418	35,743	6,562	42,305	(113)
Support cost recharges	(3,000)	0	(3,000)	(3,000)	0	(3,000)	0
	(59,308)	1,575	(57,733)	(57,733)	0	(57,733)	0
Total general fund services	306,143	0	306,143	291,942	13,682	305,624	(519)
Contingency	5,500	0	5,500	0	5,500	5,500	0
Planned contribution to Aylesbury reserve	1,000	0	1,000	0	1,000	1,000	0
Contribution from balances to underwrite base budget	(4,446)	0	(4,446)	0	(4,446)	(4,446)	0
General fund total	308,197	0	308,197	291,942	15,736	307,678	(519)

9. 2012/13 was a very challenging year for all services. The council faced unprecedented cuts in line with the government's settlement announced 31 January 2012. Many actions were taken at an early stage to deliver the savings required, especially in the context of a three year budget and on-going known budget challenges. Overall, strategic directors were able to deliver within budget the planned essential and priority services, despite the difficult financial position.

10. The 2012/13 budget included a contingency budget of £5.5m in recognition of the uncertainties inherent in a net budget of £308m, representing around 1.8%.
11. Through a combination of one off favourable variances within departments and the use of reserves, it has not been necessary for the council to call upon this contingency. It will therefore be used as the first call for supporting the 2013/14 revenue budget which, as agreed by Council Assembly in February 2013, has a planned £6.2m contribution from reserves.

Key general fund variances

Children's and Adults' Services

12. Children's and adults' services are reporting an overall favourable budget variance of £300k on a total budget of £177.8m in the context of delivering a total savings target of £16.5m.
13. The overall variance consists of a £2.54m adverse variance in children's social care which has been offset by favourable variances across the remaining services, adults social care (£650k favourable), education (£1.12m favourable) and strategy and commissioning (£980k favourable).
14. As previously reported at quarter three, management action continues to mitigate the children's social care cost pressures resulting from an increasing numbers of children placed in independent fostering agencies (IFA) and financial aid to an increasing number of families that have "no recourse to public funds". These one-off favourable variances across education and strategy and commissioning are attributable to vacant posts and management action taken to accelerate the 2013/14 savings and to hold budgets to support the specialist services pressures. For 2013/14 it is not anticipated that these favourable variances will reoccur as the budget has now been reduced for these savings.
15. The overall favourable variance for Adults' Social Care resulted from pressures in the Older People and Mental Health Care budgets of £2.5m (arising mainly from more specialised care needs) being mitigated by various favourable variances including: improved procurement of physical disabilities home care spot placements; as well as reduced costs of learning disability residential care and supported living as more people are supported in the community.

Environment and leisure

16. The department is reporting an overall favourable variance of £17k, compared to a £305k favourable variance position reported at the end of the third quarter. The reduction was mainly due to funding redundancy costs of around £114k, thereby reducing the call on reserves. Where community safety projects have external funding which runs over two financial years, the balance has been taken to reserves for use in later years.
17. The above variance is after being able to return a £500k budget allocated to fund pressures in the parking income, which had been identified in 2012/13 and subject

to six months review. Reduction in compliance has led to the number of penalty charges notices (PCNs) increasing by 3%, reversing the trend of recent years.

18. The percentage of PCNs recovered also increased by 2%. Allied with an increase in revenue in paid for parking resulting from wider use of cashless payment methods, this has led to a greater than planned surplus on the parking revenue account. As a result, £900k has been earmarked for future highway related infrastructure investments.
19. Management action continued throughout the year to consolidate the improvement in the overall departmental variance.
20. During 2012/13, the department implemented its challenging savings, within the agreed timescales, while maintaining essential front line services. For example, the libraries review enabled the department to deliver £274k with no library closures. Good partnership working with major waste and leisure contractors has also delivered savings with no reduction in service. The major procurements of the highways and parking contracts put the department on a sound footing for continued savings in these areas.

Housing and community services (H&CS)

21. Overall the housing and community services department achieved a favourable variance of £61k, including one-off redundancy costs and after corporate reserve movements. There have been a number of changes over the last quarter that have impacted on earlier forecasts.
22. Internal restructuring during 2012/13 saw the breakup of the community housing services division with functions, both general fund and housing revenue account (HRA), subsumed within the specialist housing services and customer experience divisions within H&CS, and other functions transferring to the chief executives and environment and leisure departments as part of the strategic realignment of services across the council.
23. Customer experience division comprises the customer service centre (CSC), customer resolution, blue badges and concessionary fares and homelessness and housing options and SMART. There a number of generally positive variances across the division, which mitigate the position on the CSC.
24. In relation to the customer service centre, the decision to terminate the Vangent contract and bring the service in-house from June 2013 has presented the opportunity to reconfigure and improve customer access and service delivery and drive out savings from 2013/14 onwards by moving towards more cost effective transaction routes and customer access channels.
25. Transition costs relating to the development and implementation of the new customer relationship management (CRM) system and infrastructure upgrades were accounted for separately from the routine contract operating costs, 'business as usual', and dealt with through the release of corporate reserves earmarked for this purpose. On the 'business as usual' front, the outturn is as expected higher than budget reflecting the contractual settlement agreed as part of the termination

agreement. Notwithstanding the additional contract commitment incurred, there are a range of savings on the client side (predominantly staffing) that mitigate the position, such that the final outturn is lower than reported previously.

26. The registrars and coroners services also transferred to H&CS under the customer experience division. Historic budget issues in relation to the income recoverable from the other consortium members were addressed on a one-off basis through the application of corporate reserves (£166k). However, there is an on-going commitment in 2013/14 that will need to be addressed in-year and in the longer-term as part of budget setting for 2014/15.
27. Following the breakup of the communities, law & governance department (CLG), community engagement transferred to H&CS mid-year and merged with the resident involvement function in a separate division. The reconfiguration of community councils during 2011/12 had created some residual budget pressure in 2012/13 against which corporate reserves were earmarked. However, spending has been largely contained and the pressure minimised without the need to drawdown from reserves. The favourable variance of £39k achieved against the community council grants has been carried forward into 2013/14.
28. Whilst Southwark ranks highly in terms of homeless prevention, temporary accommodation has exceeded original forecasts driven by homeless demand and the restricted availability of properties in the private rented sector, which is being exacerbated by the impending welfare reforms. This has to some extent been mitigated with the development of the hostels programme and use of estate void properties within the HRA, such that the outturn position for the general fund was better than it would otherwise have been.
29. Central support recharges and cost reallocations between the HRA and general fund are on budget. The activity also contains a number of rent accounting adjustments relating to the current and prior-years which have been taken to the centre in order to avoid distorting divisional analysis. There are also a range of positive movements within the maintenance and compliance and operations divisions comprising property adaptations and stairlift maintenance and healthy homes, which contribute to the welfare and safety of residents across all tenure types. Travellers sites benefitted from a windfall following the successful resolution of a long-standing dispute with Thames Water in relation to water charges, which together with lower operational and site running costs and higher rent debit, has contributed to a positive outturn position.

Finance and corporate services including corporate and democratic core

30. Finance and Corporate Services is reporting a favourable variance of £113k against a net budget of £35.8m.
31. In 2012/13, the department continued with its restructure with further reviews of –
 - provision of IT services
 - re-organisation of staffing structures across the finance and legal services divisions
 - major corporate facilities management contracts.

32. Savings of £3.1m were allocated this year and were either met directly or substitute options were found to ensure that the overall target was achieved.
33. The purchase of the council's head offices at 160 Tooley Street delivered additional savings in 2012/13 of £750k. The cabinet agreed that these 2012/13 savings would be set aside are to be set aside to fund future community safety schemes in the borough.
34. In achieving the year end position, reserves of £3.2m were released. A significant amount was related to one-off costs associated with re-organisation, such as redundancy and early retirement costs amounting to £900k. £1.4m was funded from the modernisation reserve in relation to the relocation of the data centre from Southwark Town Hall.

Chief executive's department

35. As part of council wide restructure, the merger of the old regeneration & neighbourhoods and deputy chief executive's departments into a new chief executive's department was completed in 2012/13. Further restructuring saw the inward transfer of additional units from the old communities, law and governance department and from housing and community services. The new units include the scrutiny, constitutional support and South East London Housing Partnership (SELHP) teams which have now been incorporated into the corporate strategy division.
36. For 2012/13, total available budget for the department was £20.1m compared to net expenditure in year of £20.06m, giving a favourable outturn variance of £43k. The outturn position takes into account the 2012/13 base budget departmental savings of £1.3m and additional management in-year savings of £410k which have all been fully achieved.
37. Within the department, the favourable variance is mainly attributable to vacancies which remain unfilled across the various units and exceeding of income targets in development control.
38. The net variance of £43k was also after significant reserve movements mainly related to organisation and development for childrens and adults services, regeneration projects and modernisation.
39. Other reserves set up are in connection with Elephant and Castle and Aylesbury projects, some of whose activities have undergone re-profiling and therefore require some of the budgets (£656k) to be side aside in the regeneration reserves for use in 2013/14 and beyond.
40. There was also a movement of £415k into the modernisation reserves to ensure continued funding of modernisation initiatives in the newly created chief executive's department.

Support cost reallocations

41. Support cost reallocations are the costs of the central services, like finance and corporate services, chief executive's department and the customer services centre which are recharged to service departments. The process is governed by service reporting code of practice, a code endorsed by the Chartered Institute of Public Finance and Accountancy. The code requires that local authorities disclose the total cost of front-line services in their statement of accounts. In 2012/13 £58.2m of support costs were recharged across service departments to reflect the true costs of services. For the general fund services this was matched by their budget.

General fund contingency

42. The 2012/13 general fund budget included a provision of £5.5m contingency. This was to enable the council to have sufficient flexibility to respond to the impact of economic uncertainty, service pressures, and any unforeseen events.
43. As described earlier, the council was able to use reserves to manage the various service pressures that arose during 2012/13. The £5.5m contingency has therefore been transferred to the modernisation reserve, where it will be held to fund the planned draw down of £6.2m from reserves in 2013/14 necessary to balance the budget.

Schools budget

44. The DSG is reporting an outturn of £222.7m, which is a favourable variance of £1.7m on a total DSG budget of £224.418m (0.8% variance). The major areas of significant variance are a £800k favourable variance across early years including the entitlement for three year olds and £1.0m unspent school contingencies (which include, for example, early years and stated special educational needs in year funding adjustments). The DSG is ring-fenced and this favourable variance will be considered by the schools forum at the July 2013 meeting. During 2012/13, the schools forum agreed to contribute £2.0m of DSG reserves to support future revenue costs associated with the primary capital expansion programme.
45. The DSG is a ring-fenced grant, and therefore, unspent grant is held within a specific reserve. The schools forum is consulted on the use of this reserve.

Schools funding reserves movements

46. The main funding for schools comes from the dedicated schools grant (DSG) which is largely passed directly to schools in the form of a school budget share each year, with the remainder of the grant held centrally.
47. Table 2 below shows a £30k decrease in the DSG reserve overall which takes into account the use of this reserve for both capital and revenue purposes together with the overall revenue favourable variance achieved in 2012/13.
48. School revenue balances are £16.245m, adjusted for the impact of converting academies this equates to £3.7m increase. This increase is likely attributable to

uncertainties in the school funding environment.

Table 2: Summary of schools funding reserve movements

Reserve	2012/13 opening balance £'000	Change in reserves £'000	Release of reserve for capital £'000	2012/13 closing balance £'000
DSG reserve	(7,373)	(1,203)	1,233	(7,343)
Schools balances	(13,734)	(2,511)		(16,245)
Total	(21,107)	(3,714)	1,233	(23,588)

Housing revenue account (HRA)

49. The table below sets out the final outturn against budget. There have been a number of movements over the last quarter that have impacted earlier forecasts as detailed below.

Table 3: Housing revenue account

HRA Outturn Monitor 2012/13	2012/13 Budget £000	2012/13 Outturn £000	2012/13 Outturn Variance £000
Operations	(167,578)	(168,121)	(543)
Maintenance & Compliance	44,040	48,810	4,770
Major Works	849	864	15
Specialist Housing Services	(32,971)	(34,017)	(1,046)
Strategic & Corporate Services	121,921	120,421	(1,500)
Customer Experience	1,924	1,900	(24)
Community Engagement	1,864	1,350	(514)
Chief Executives	1,551	1,355	(196)
Heating Account	12,198	10,444	(1,754)
Direct Revenue Funding of Capital	12,727	12,727	0
Appropriations to /(from) reserves	3,475	4,267	792
Total HRA	0	0	0

50. The HRA shows a positive variance against budget of £4.3m for 2012/13 which is lower than previously reported, but nonetheless contributes to a more sustainable reserves position moving forward. It contains a number of expenditure items that are of a one-off or exceptional nature together with planned reserve movements. Previous monitoring reports have referred to underlying spending pressure and the forecasts have been necessarily cautious in this regard. Whilst the need to spend on landlord responsibilities for the maintenance and improvement of the housing stock remains high, it has been possible to manage these cost pressures and in certain areas, such as repairs, increase the level of investment within the overall resources available to the HRA.
51. The maintenance & compliance (M&C) division comprises reactive repairs and planned maintenance and mechanical and electrical engineering and heating plant repairs. Improved contract management continues to deliver cost savings, but the demand-led nature of the service means budgets are under constant pressure and

additional resources (£3.6m) have been committed to the repairs service through the redirection of funds and release of provisions/ reserve movements to meet this demand during 2012/13. This includes £1.6m for asbestos containment/ removal and £800k for works (in excess of £10k) of a capital nature that currently fall outside the Warm, Dry Safe programme. It is proposed to address this funding anomaly through the HIP during 2013/14. A further £1.2m has also been allocated on a one-off basis in the last quarter for a specific programme of kitchen replacements and safety lighting.

52. The contract termination of Morrison's and interim contract arrangements and retendering costs have also impacted upon the final outturn position, along with a range of other non-repairs movements across the division comprising primarily compensation and legal (predominantly disrepair), tenants decoration allowances and running and employee costs, largely agency related in lieu of permanent recruitment and additional interim provision to address capacity issues, given the scale of the works programme undertaken.
53. Southwark building services (SBS) – operational and strategic management of the service sits within the M&C division. Following restructuring the workforce has been reconfigured to deliver measurable improvements in efficiency, quality and productivity at reduced cost. Excluding one-off costs of redundancies and restructuring, which have been met centrally, the quasi trading account shows an operating surplus of £800k, which is returned to the HRA.
54. Operations division (formerly area management) comprises front-line estate management and income collection/ arrears management. The organisational changes implemented during 2011/12 have been subjected to post implementation review and adjusted where necessary to maximise operational efficiency. Together with efficiencies achieved through the rationalisation of office accommodation, the budget has delivered savings greater than target (£1m), which will flow through into subsequent savings rounds.
55. In terms of HRA rental income, the gross rent debit raised was on budget, albeit the void rate was fractionally higher giving rise to a variance of £500k. Collection performance overall (including HRA voids used for temporary accommodation and hostels) stood at 98.93% which represents solid performance given the current economic conditions. Overall, net arrears increased by £700k year on year and bad debt provisions were reviewed in light of the upward arrears movement. The impending introduction of welfare reforms and direct payment will inevitably impact on the collection rate, but additional budget provision has been made to meet potential collection losses moving forward.
56. The specialist housing services division comprises a diverse range of functions including home ownership, tenant management organisations (TMO), the commercial and garage portfolios and sheltered housing and temporary accommodation. The use of hostels and estate voids have been maximised during the year resulting in a net gain against budget of £1m, through the additional rent debit generated. This is an increasingly important means of mitigating the cost of homelessness in the general fund going forward. Positive movements in TMO budgets and other smaller scale activities offset the additional 'invest to save' expenditure committed towards the garage refurbishment programme (£0.7m).

Overall, the activity is £1m better than budget.

57. Homeowner service charges are recoverable under the terms of the lease and are based on actual costs incurred. Billing of £17.7m gross (£15.8m net) was raised in 2012/13 in line with budget expectations including freeholders and prior-year account actualisations. Capital works billed in March 2013 totalled £10.6m (spanning 2012/13–2014/15). However, in order to comply with statutory requirements, it is necessary to bill in advance of the financial year and as such the income cannot be recognised in the 2012/13 accounts as no liability exists at that point. Similarly, income raised in previous years that had been deferred is now available to be recognised in the accounts totals £6.5m, which is in line with the budget. Collection performance has exceeded target with a combined £25.8m collected against a target of £24m, with arrears falling to £8.2m.
58. The strategic services activity accounts for over 50% of the HRA gross budget and comprises departmental and corporate overheads, debt financing, depreciation/impairment charges, revenue support for the housing investment programme (HIP) and the revenue costs associated with major regeneration projects. The introduction of HRA self-financing in April 2012 required local authorities to move to a component based approach for depreciation, or use the default position as defined in the debt settlement. There is also now a requirement to recognise non-dwelling impairment as a direct charge to the HRA. Revaluation and re-categorisation of the asset base has given rise to a higher charge than earlier forecast, offset by lower premium and interest charges on housing debt as a result of the debt write-down. Other movements in relation to major projects, debt write-off and other one-off/exceptional items that cannot be contained within mainstream operational budgets contribute to the cumulative variance.
59. The heating account is a notional ring-fenced account within the HRA, comprising predominantly the energy costs (gas, electricity and oil) for the provision of district heating and hot water to council tenants and leaseholders. It is maintained on a trading account basis with any surplus/ deficit being carried forward. Balances can be used to mitigate future charge increases or to fund energy efficiency measures to communal heating systems that in turn generate additional cost savings. Contract procurement savings and lower consumption gives rise to a net operating surplus which has been taken to the heating account reserve. Charges are reviewed annually as part of the rent and budget setting process in February each year.
60. Consolidated budget movements across the other divisions: major works, regeneration (chief executives) and community engagement show a net £700k below budget. This comprises favourable variances on employee budgets (£400k), tenants halls running costs (£200k) and the tenants fund (£100k), the balance of which is carried forward to 2013/14.

HRA reserves movement

61. The ring-fenced nature of the HRA requires that deficits/surpluses are carried forward between years. HRA reserves have been below the optimum level commensurate with the size of Southwark's combined revenue and capital programmes and represent a financial risk. In line with the medium term resources strategy (MTRS), the council has been working towards increasing reserves (the

base budget is predicated on making a minimum contribution of £2m per annum), to a more prudent and sustainable level in order to mitigate future risks, fulfil future commitments already made, and enable the transformation and modernisation of services going forward. As at 31 March 2013 the HRA reserves stand at £31.755m (an increase of £4.267m), of which around 80% is committed/earmarked, including provision towards the repayment of housing debt.

Implementation of the 2012/13 budget decisions including agreed budget reductions, savings and efficiencies

62. The council identified £35m of budget reductions, including savings and efficiencies for the general fund and housing revenue accounts as part of the 2012/13 budgets.

Table 4: Statement of achievement of savings agreed for 2012/13

	Budgeted 2012/13 savings	Forecast full year 2012/13 savings	Compensating / other savings achieved in 2012/13	Variance
	£'000	£'000	£'000	£'000
Children's Services	(6,174)	(6,174)	0	0
Adult social care	(10,295)	(9,743)	(552)	0
Environment and Leisure	(4,990)	(4,990)	0	0
Housing and Community Services	(594)	(594)	0	0
Finance and corporate services	(3,077)	(3,077)	(750)	(750)
Chief executive	(1,277)	(1,277)	0	0
Corporate	(2,000)	(500)	0	1,500
Total General Fund	(28,407)	(26,355)	(1,302)	750
HRA	(6,397)	(6,397)	0	0
Total Savings	(34,804)	(32,752)	(1,302)	750

Note: details of the Council's savings plans can be found in the budget papers agreed by Council on 29 February 2012

63. As shown in the table above, the majority of the savings agreed by the council in setting the 2012/13 budget were achieved.
64. Challenging savings targets were set for both children's services, £6.174m and adults' social care, £10.3m.
65. In adults' services there was a shortfall in achieving the mental health redesign savings of £552k. However this was compensated by overachieved savings through residential care service redesign in the learning disability service. There were also further savings delivered through various management initiatives around reablement, smarter procurement as well as efficient deployment of NHS funding for winter pressure and reablement.
66. A key event that occurred during the year was that the council was able to purchase its main head office at 160 Tooley Street. This transaction generated an additional saving of £750k, which as confirmed earlier in this report has been set aside to fund future community safety schemes as directed by cabinet.

- 67. The £1.5m corporate savings related to the customer services savings built into the Vangent contract, that could not be achieved as planned following the mutual agreement to terminate the contract in June 2013 and bring the service back in house.
- 68. All other departments were able to report full achievement of planned savings.

Collection fund

- 69. As a billing authority the council is required to maintain a collection fund account, which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and demonstrates the way in which these have been distributed to preceptors and the general fund. The council must take into account the estimated surplus or deficit on the collection fund balance when setting the council tax for the following year, and this is usually based on the quarter three estimate. The estimated surplus at quarter three was £1.203m, split between the council and the Greater London Authority (GLA), with the council's share being £900k and the GLA's being £303k.
- 70. The final year-end balance on the collection fund was a surplus of £1.775m (£1.330m Southwark and £445k GLA), which overall is an £572k improvement to that expected at quarter three. This is mainly due to increased billing amount by £88k and an improvement in the historical debt collected, which reduced the overall level of bad debt provision by £484k. This is the unaudited outturn balance based on March 2013 system reports.

Reserves

- 71. The council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are made in order to mitigate financial risk and fund future committed revenue and capital projects. These meet departmental and corporate priorities as well as regeneration and development projects. Some relate to invest to save opportunities that form part of the modernisation agenda and are expected to deliver future ongoing revenue savings.
- 72. Excluding the technical, schools balances and budgeted contribution to reserves, there was a net contribution to reserves of £11m support general fund services in future years. The contribution to reserves for community projects includes funding for business support and welfare reform. The movements in general fund earmarked reserves are reflected in Appendix B and subject to existing approval arrangements.
- 73. Reserves balances are also held to fund future capital projects. In 2012/13, £3m was drawn down to fund capital, this included expenditure related to schools, regeneration and customer services development.
- 74. As stated in paragraphs 10 and 11, the 2012/13 budget contained a contingency fund of £5.5m, which did not need to be used and therefore has been put into the financial risk reserve to help fund the 2013/14 £6.2m planned release of reserve necessary to balance the 2013/14 budget.

75. The favourable general fund outturn variance on services has also been set aside in the financial risk reserve.
76. There was a technical movement in reserves relating to a significant contribution to reserves for 160 Tooley Street of £3m. This movement is for accounting reasons and relates to the need to re-profile the rent to an average rent over a set period of years taking into account an initial rent free period. This adjustment for Tooley Street will no longer be required in future years following the council's success in purchasing the freehold in December 2012.
77. There has also been a drawdown from reserves for technical accounting purposes related to rental smoothing adjustments for Queens Road and more significantly in relation to smoothing of the waste PFI unitary charge over the 25 year life cycle of the project.
78. In line with the medium term resources strategy (MTRS), the council continues to maintain appropriate earmarked reserves, in order to mitigate future risks, fulfil future commitments already made and provide resources to enable services to transform over time.

Table 5: Summary of earmarked reserves

	Balance as at 31 March 2012 £'000	Net movement in reserves £'000	Balance as at 31 March 2013 £'000
Summary of earmarked reserves			
Corporate projects and priorities	9582	1447	11029
Service reviews and improvements	13570	5687	19257
Capital programme and other capital investment	26168	6081	32249
Strategic financing, technical liabilities and future financial risks	35132	1172	36304
Total	84,452	14,387	98,839

79. Corporate projects and priorities reserves are held to fund those future activities that will enable the council to function more efficiently and effectively. They include resources held to meet the cost of ongoing re-organisation and restructuring that the council must undertake to modernise and improve service levels and operational efficiency of Southwark's activities.
80. Service reviews and improvements represent resources held that can be directly linked to services provided.
81. Modernisation reserves are held to help the council fulfil its longer term plans in relation to its modernisation, development and improvement agenda.
82. Capital programme and other capital investment reserves are held to fund one-off expenditure that may be incurred over more than one year and by its nature is not appropriate to be included within annual revenue budgets, to facilitate the significant regeneration and development taking place in the borough. Projects include the Elephant & Castle, Canada Water, Southwark Schools for the Future, land acquisitions and other significant one-off costs associated with these projects.

83. Strategic financing, technical liabilities and future financial risks reserves are in the main held to mitigate against future financial risks that may arise. For example, taxation risks, legislative and funding changes including actions involving the Greater London Authority and other government bodies, risks as a result of unavoidable changes in accounting practice, and circumstances in so much as they represent uninsured risks. They also include balances that are held for technical accounting reasons as described above.

Treasury management

84. Treasury management covers both cash holdings and debt. The cash is invested and applied to working capital and spending commitments as needed and in December sums were also used to pay for the acquisition of 160 Tooley Street, further details of which were given at cabinet on 12 December 2012. The average balance over the course of 2012/13 was £294m and at 31 March 2013 stood at £177m.
85. Investments are managed by an in-house operation and two investment firms Aberdeen Asset Managers and AllianceBernstein, with capital preservations a priority. The balance held with each institution together with ratings as at 31 March 2013 is set out in the table below and future sums may be drawn down from the managers if needed for spending.

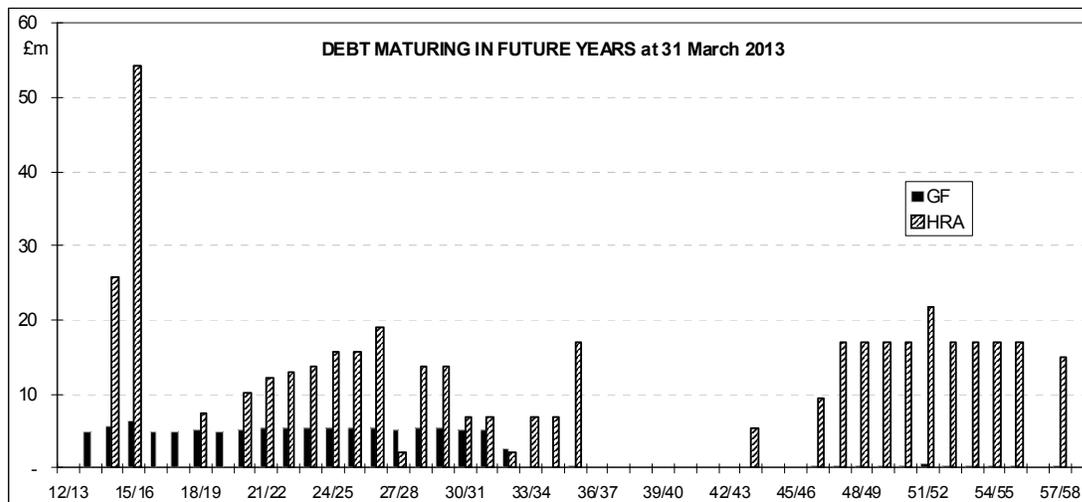
Table 6: Exposure with counterparties

EXPOSURE - MARCH 2013 COUNTERPARTY AND RATINGS									
Exposure £m	FUND				Fitch Ratings				
	Aberdeen	Alliance Bernstein	In-House	£m	Long	Short	Support	Sovereign	Sovereign Rating
COUNTERPARTY									
CREDIT INDUST ET COMRCIAL	3.5	-	-	3.5	A+	F1+	1	FRANCE	AAA
SOCIETE GENERALE	-	1.0	-	1.0	A+	F1+	1	FRANCE	AAA
BANQUE NATIONAL DE PARIS	3.5	1.0	-	4.5	A+	F1+	1	FRANCE	AAA
DEUTSCHE BANK	3.5	1.0	-	4.5	A+	F1+	1	GERMANY	AAA
LANDESBK BADEN WERTMBG	-	1.0	-	1.0	A+	F1+	1	GERMANY	AAA
DZ BANK	3.5	-	-	3.5	A+	F1+	0	GERMANY	AAA
ABN AMRO BK	3.5	1.0	-	4.5	A+	F1+	1	NETHERLANDS	AAA
ING BK	3.4	1.0	-	4.4	A+	F1+	1	NETHERLANDS	AAA
RABOBANK	-	0.5	-	0.5	AA	F1+	0	NETHERLANDS	AAA
EUROPEAN INV BANK	7.0	6.6	-	13.6	AAA	F1+	0	SUPRANATIONAL	AAA
INT BK RECONST DEVT	3.5	6.8	-	10.3	AAA	F1+	0	SUPRANATIONAL	AAA
EUROPEAN BNK RECON DEV	3.4	-	-	3.4	AAA	F1+	1	SUPRANATIONAL	AAA
SVENSKA	-	0.5	-	0.5	AA-	F1+	1	SWEDEN	AAA
SKANDINAVISKA	-	1.0	-	1.0	A+	F1	1	SWEDEN	AAA
UBS	3.5	-	-	3.5	A	F1	1	SWITZERLAND	AAA
BARCLAYS BANK	5.0	-	-	5.0	A	F1	1	UK	AAA
LLOYDS TSB/BK SCOTLAND	3.5	-	15.0	18.5	A	F1	1	UK	AAA
NATIONWIDE BSOC	3.3	1.0	-	4.3	A+	F1	1	UK	AAA
RBS/NATWEST	-	-	61.7	61.7	A	F1	0	UK	AAA
UK TREASURY	-	26.8	-	26.8	AAA	F1+	1	UK	AAA
BNY MELLON	0.1	1.1	-	1.2	AA-	F1+		US	AAA
Total £m	50.2	50.3	76.7	177.2					

86. In February 2013 Moody's, the US rating firm, lowered the UK's rating by one notch to AA1. No change was made by Standard and Poor's, who reaffirmed it at AAA rating in April 2014. However Fitch on 19 April lowered it to AA+. The downgrade did

not trigger a significant rise in the cost of UK borrowing, which continues to be supported by central bank monetary easing.

87. The debt outstanding to fund past capital expenditure at the end of March 2013 stands at £562.5m and is all from the Public Works Loans Board (PWLB). No new loans were taken over the quarter. From April 2012 the loans are disaggregated between the HRA and the General Fund. £451m of the debt is attributable to the HRA, reflecting past investment in housing, and the remainder falls as General Fund debt. The years in which the loans fall for repayment is set out below and the council has access to PWLB and market borrowing to refinance maturing debt or replace internal funds (such as the ones used in the acquisition of 160 Tooley Street headquarters) with new loans should it be necessary. PWLB borrowing attracts a standard margin of 1% above gilts yields (the rates at which the UK government itself borrows at), but the council may also draw funds at a margin of 0.20% below standard rates, should it be prudent.



Community impact statement

88. This report monitors expenditure on council services, compared to the planned budget agreed in February 2012. Although this outturn report in itself has been judged to have no or a very small impact on local people and communities, the expenditure it is reporting was designed to have an impact on local people and communities, which will have been considered at the time the services and programmes were agreed. It is important that resources are efficiently and effectively utilised to support the council's policies and objectives.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
2012/13 Revenue monitoring / Quarter 3	160 Tooley Street	Vernon Smith 020 7525 7355 http://moderngov.southwark.gov.uk/documents/s35397/Report%20Revenue%20Monitoring%20Report%20Quarter%203%20201213%20including%20Treasury%20Management.pdf

APPENDICES

No.	Title
Appendix A	Budget movements to be approved and noted
Appendix B	Movements in reserves: extract from draft Statement of Accounts 2012/13

AUDIT TRAIL

Cabinet member	Cllr Richard Livingstone, Cabinet member for finance, resources and community safety	
Lead officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Report author	Jennifer Seeley, Finance & Resources	
Version	Final	
Dated	8 July 2013	
Key Decision	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	No	No
Strategic Director of Finance and Corporate Services	Yes	Yes
Date final report sent to constitutional team		8 July 2013

APPENDIX A

Budget movements to be approved

Department from	Amount £000	Department to	Amount £000	Reason
Housing and community services	(1,431)	Chief Executives	1,431	Transfer of members expenditure budget
Housing and community services	(742)	Chief Executives	742	Transfer of SELHP & Housing Partners arising from the dissolution of the former Community Housing Services division.
Finance and corporate services	(506)	SCR income	506	SCR income adjustment
Finance and corporate services	(360)	Children's	360	Allocation of youth fund
Finance and corporate services	(268)	Environment and leisure	268	Release of funding held corporately to meet costs related to flood management

Budget movements to be noted

Department from	Amount £000	Department to	Amount £000	Reason
Finance and corporate services	(141)	Chief Executives	141	Allocation of youth fund
Chief Executives	(138)	Environment and leisure	138	To transfer some of transport planning unit's functions from Chief Executive's department to public realm division in Environment
Adult social care	(106)	Finance and corporate services	106	Transfer of former strategic director of health and social care salary to centrally held savings budget
Finance and corporate services	(98)	Environment and leisure	98	Planned preventative maintenance
Finance and corporate services	(69)	Chief Executives	69	Unachievable campaigns savings
Chief Executives	(64)	Environment and leisure	64	Split of area renewal budget
Finance and corporate services	(61)	Children's	61	Planned preventative maintenance
Finance and corporate services	(49)	Adult social care	49	Planned preventative maintenance
Housing and community services	(47)	Chief Executives	47	Transfer of services at Manna Centre
Children's	(36)	Finance and	36	Transfer of funding from children's

Department from	Amount £000	Department to	Amount £000	Reason
		corporate services		services / early years help to financial transaction support services
Chief Executives	(32)	Environment and leisure	32	Adjustment to the unfunded pension liability budget centralisation
Finance and corporate services	(32)	Environment and leisure	32	Tree pruning costs
Adult social care	(21)	Housing and community services	21	Allocation expenditure budget funded by the LD Health & Reform Grant, of transitional Healthwatch funding.
Housing and community services	(21)	Adult social care	21	Allocation from the LD Health & Reform Grant, of transitional Healthwatch funding.
Finance and corporate services	(18)	Chief Executives	18	Planned preventative maintenance
Chief Executives	(10)	Finance and corporate services	10	Annual transfer of budget for legal support towards planning sub-committees
Finance and corporate services	(8)	Housing and community services	8	Planned preventative maintenance

APPENDIX B

MOVEMENTS IN RESERVES

(extract from the draft Statement of Accounts 2012/13)

1. CORPORATE PROJECTS AND PRIORITIES

	Balances as at 31 March 2011	Balances as at 31 March 2012	Net movement in reserves	Balances as at 31 March 2013
	£000	£000	£000	£000
Modernisation, service & operational improvement:				
- Customer service and customer access development	-	-	1,037	1,037
- Other	7,307	5,145	(1,877)	3,268
Artefacts replacement & security reserve	-	579	(4)	575
Business support fund	-	-	1,000	1,000
Cleaner Greener Safer	-	-	40	40
Community engagement & Links development	-	250	-	250
Contract realignment (low paid staff)	-	1,052	-	1,052
Internal audit & anti fraud	322	356	-	356
Community safety schemes	-	-	750	750
Community restoration fund	-	115	-	115
Voluntary sector transition fund	-	257	324	581
Welfare hardship fund	-	-	800	800
Youth fund	-	469	429	898
Other reserves individually less than £100k	100	50	(18)	32
Revenue grants	199	1,309	(1,034)	275
Reserves expended in 2011/12	1,935	-	-	-
Total	9,863	9,582	1,447	11,029

2. SERVICE REVIEWS AND IMPROVEMENTS RESERVES

	Balances as at 31 March 2011	Balances as at 31 March 2012	Net movement in reserves	Balances as at 31 March 2013
	£000	£000	£000	£000
Adult workforce development	-	142	-	142
Blackfriars trust allocation	138	138	-	138
Children's Services restructure	-	119	321	440
Dedicated schools grant reserve	4,819	7,373	(30)	7,343
Early intervention pilot	-	435	-	435
Early Years Review	300	300	-	300
Environmental health & community safety	-	-	142	142
General litigation costs	172	172	-	172
Highways winter maintenance	-	-	576	576
Homelessness	200	403	-	403
HR transformation	-	290	-	290
Learning disability & social care reform	-	-	3,748	3,748
Local flood risk	-	-	170	170
Managed accounts underspend	-	451	-	451
Management and administration of elections	409	409	-	409
Member development	30	94	48	142
Ofsted inspection	-	200	-	200
Organisational development	-	-	1,217	1,217
OT clients adaptations	-	886	-	886
Other reserves individually less than £100k	444	15	-	15
Prevention of illegal tobacco distribution	-	90	30	120
SALIX energy efficiency	200	200	(139)	61
School improvement	-	300	-	300
Schools condition survey	-	775	-	775
SEN/Learning difficulties	-	140	-	140
Signage	108	108	-	108
Southwark safe and independent living scheme	-	-	215	215
Street trading	110	110	-	110
Street trading account	(820)	(645)	4	(641)
Youth service	250	450	-	450
Camden Society transition funding	0	300	(300)	-
LD transfer continuing care returned clients	-	315	(315)	-
Reserves expended in 2011/12	209	-	-	-
Total	6,569	13,570	5,687	19,257

3. CAPITAL PROGRAMME AND OTHER CAPITAL INVESTMENT RESERVES

	Balances as at 31 March 2011	Balances as at 31 March 2012	Net movement in reserves	Balances as at 31 March 2013
	£000	£000	£000	£000
Modernisation, service & operational improvement	-	6,364	(486)	5,878
ATM & exchequer services development	-	-	550	550
Regeneration & development	7,027	5,996	(85)	5,911
Capital contingency	2,231	2,651	(447)	2,204
Aylesbury development	3,104	4,231	1,130	5,361
Carefirst procurement	-	200	-	200
CCTV	-	250	-	250
Contracts realignment (capital)	-	1,396	-	1,396
IT and customer service development	-	3,171	-	3,171
New homes bonus grant capital allocation	-	-	3,682	3,682
Parking capital projects	-	-	900	900
Planned preventative maintenance & building compliance	-	-	2,565	2,565
Resource centre	261	181	-	181
Building compliance	-	1,066	(1,066)	-
Burgess Park project	-	350	(350)	-
Cator Street development	354	12	(12)	-
RFID for libraries	-	300	(300)	-
Reserves expended in 2011/12	7,098	-	-	-
Total	20,075	26,168	6,081	32,249

4. STRATEGIC FINANCING, TECHNICAL LIABILITIES AND FUTURE FINANCIAL RISKS RESERVES

	Balances as at 31 March 2011	Balances as at 31 March 2012	Net movement in reserves	Balances as at 31 March 2013
	£000	£000	£000	£000
Planned contribution to support General Fund budget	-	4,446	1,825	6,271
Financial risk & future liabilities	8,198	3,030	76	3,106
Business rate retention risk	-	-	1,402	1,402
Council tax and housing benefits subsidy equalisation	1,655	636	-	636
Insurance	7,872	9,106	(1,793)	7,313
Interest and debt equalisation	4,000	4,000	-	4,000
Legal and contractual risks	-	1,804	-	1,804
Queen's Road lease smoothing	-	673	(383)	290
Schools in financial difficulties, schools closures and academies	852	482	-	482
Social care demand pressures	-	-	3,703	3,703
Waste PFI equalisation reserve	9,079	10,567	(3,270)	7,297
Unaccompanied asylum seeking children equalisation	388	388	(388)	-
Reserves expended in 2011/12	4,474	-	-	-
Total	36,518	35,132	1,172	36,304

5. NOTES ON MAJOR RESERVES

- 5.1. Modernisation, Service & Operational Improvement Reserve. This reserve is for one-off expenditure that may be incurred over more than one year and by its nature is not appropriate to be included within annual revenue budgets, that are designed to modernise and improve service levels and operational efficiency of Southwark's activities. Schemes will range across all Council services but will be especially relevant for transformational priorities such as information technology, customer services and accommodation strategies. Schemes funded by this reserve may be of either a capital or revenue nature.
- 5.2. Regeneration & Development Reserve. This reserve is to fund one-off expenditure that may be incurred over more than one year and by its nature is not appropriate to be included within annual revenue budgets, to facilitate the significant regeneration and development taking place in the borough. Projects include the Elephant & Castle, Canada Water, Southwark Schools for the Future, land acquisitions and other significant one-off costs associated with these projects. Schemes funded by this reserve are predominantly of a capital nature.
- 5.3. Financial Risk & Future Liabilities Reserve. This reserve is set aside against future financial risks that may arise. For example, taxation risks, legislative and funding changes including actions involving the Greater London Authority and other government bodies, risks as a result of unavoidable changes in accounting practice, and circumstances in so much as they represent uninsured risks.

6. SCHOOLS BALANCES

	Balances as at 31 March 2011	Balances as at 31 March 2012	Net movement in reserves	Balances as at 31 March 2013
	£000	£000	£000	£000
Funds held by schools	9,932	13,115	2,759	15,874
Funds held by nursery schools	586	383	(248)	135
Funds held by pupil referral units	236	236	-	236
Total	<u>10,754</u>	<u>13,734</u>	<u>2,511</u>	<u>16,245</u>

Item No. 22.	Classification: Open	Date: 16 July 2013	Meeting Name: Cabinet
Report title:		Regeneration Risk Registers and Archive Records of Housing Estates	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Regeneration and Corporate Strategy and Councillor Ian Wingfield, Deputy Leader and Housing Management	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY AND COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND HOUSING MANAGEMENT

The management of risk and clear communication with stakeholders are both key to the successful delivery of our regeneration projects. Risk management ensures that we have strategies in place to deal with challenges that arise on projects to make sure that we can deliver the best possible outcomes and communication with stakeholders ensures that all involved are kept informed and have the opportunity to effectively engage and influence decision making.

Being open about the risks within projects is important and how we do this needs to form part of our communication and engagement strategies on individual projects and programmes. I support the recommendations within this report that we share risk information as openly as possible but that the publication of day to day management tools would not be the right approach.

Understanding risks and our strategies to manage them within our strategic projects is a fundamental part of my brief and I am satisfied that the implications of the National Planning Policy Framework (NPPF) are being appropriately considered within our regeneration projects.

Complete and accessible archive building information is essential to support the delivery of an effective housing service. Housing and community services have a range of projects underway to improve the completeness and accessibility of information which will support ongoing service improvements.

We recommend this report to cabinet.

RECOMMENDATION(S)

1. That regeneration risk registers are not published online but that risk and risk management are considered as part of project communication plans to ensure that risk information is available online, and via other mediums, in order that stakeholders are aware of risks and the strategies to manage them.
2. That cabinet note that Regeneration risk registers have been reviewed and amended as necessary in consideration of the concerns raised by overview and scrutiny committee in relation to National Planning Policy Framework and that

the cabinet member for regeneration has been briefed directly on the implications of paragraph 173 of the National Planning Policy Framework.

3. That cabinet note the actions taken by housing and community services to date, and those planned, to improve the accessibility and completeness of building archive information and the potential need for investment to support this.

BACKGROUND INFORMATION

4. In October 2012 overview and scrutiny committee considered the management of risk within major regeneration projects in the chief executive's department and received a briefing from the strategic director of housing and community services in respect of the major works on the Four Squares Estate.
5. In November, three recommendations were made to cabinet:
 - that cabinet explore ways in which regeneration risk registers can be placed online in a form digestible to the public; and,
 - that cabinet be invited to review relevant risk logs in the light of paragraph 173 of the National Planning Policy Framework.
 - that cabinet be asked to assess the quality of archives in respect of construction of housing estates and consider whether additional investment is merited
6. This subsequent report to cabinet is later than would usually be expected as a result of the issues raised being explored in detail by officers.

KEY ISSUES FOR CONSIDERATION

Publication of risk registers

7. Project and programme risk registers are live documents that act as the key tool for risk management within regeneration and capital projects. They capture the risk, responsible parties and mitigation strategies as well as assessing the likelihood and impact of risks should they arise. The nature of the projects managed within the regeneration department mean that these documents contain significant commercially sensitive information the publication of which could detrimentally affect the effective management of relationships with commercial partners and other stakeholders.
8. Although the publication of redacted registers may be possible, on balance this is not considered to be appropriate. Redaction would be onerous and would also remove important context resulting in registers being an inaccurate representation of the risk profile of projects and the risk management strategies proposed.
9. Publication could also lead to too much consideration being given to the public interpretation of documents rather than their effective use as a risk management tool with scoring and risk prioritisation inappropriately affected.
10. Currently, publication of risk information associated with regeneration projects takes place through open reports at key project milestones (Gateways associated with procurement and cabinet reports at other decision making points) and through public consultation and publicity.

11. Gateway risk information is limited and focussed on procurement risks and is potentially therefore of limited interest to the public. Risk information within cabinet reports can be similarly limited and focussed on the particular issue under consideration.
12. It is considered that the most appropriate way to ensure that risk information is publicly available in digestible form is to ensure that risk is duly considered as part of the communication plan for all projects. In this way risk information should then be collated, formatted and made available (including online) to the appropriate stakeholder groups as part of the overall communication strategy for a project.

National Planning Policy Framework

13. Risk registers are updated by project managers and directors both routinely and in response to specific events or advice. In this instance those responsible for the Aylesbury and Elephant and Castle regeneration programmes were aware of the specific guidance from the NPPF and the potential implications on projects and the overall programmes. In light of OSC comments risk registers have been reviewed and where appropriate amended to make clear the consideration of this issue.
14. The cabinet member for regeneration and corporate strategy has been briefed specifically in regard to paragraph 173 of the NPPF and its implications on the projects and risk management.

Housing Archives

15. The Major Works division has recently initiated several interdependent projects to help assess the quality and accessibility of building-related information held, and to implement improvements in the divisions practices and procedures relating to digitally archived information. A brief outline of specific projects currently ongoing is given below:
 - Building Plans (Fire escape routes) – As recommended by the recent Lakanal inquest, the London Fire Brigade will be supplied with building plans detailing primary and secondary escape routes for all blocks over five storeys tall. As existing architectural drawings of Southwark's housing stock are currently held in a variety of formats in numerous locations, a project to create a consolidated digital archive on Northgate's Electronic Document Management System (EDMS), *Info@Work*, is currently under way. This project involves cataloguing, organizing and digitally storing a large array of historical and newly commissioned building drawings, photographs, and other major works related documentation, much of which has recently been digitalized from outdated micro-fiche technologies. Having this material organized on an EDMS system will make it easily navigable and accessible to a wide range of users within the housing department and will facilitate consistent provision of such information to external stakeholders such as the emergency services and contractors. This exercise follows in the footsteps of other ongoing projects making use of *Info@Work* to store important documentation in connection with the construction and maintenance of Southwark's housing stock, including a centralized store of health & safety files and operating and maintenance manuals.

- Asset Management System (AMS) Review: A project group has been reviewing the use of our current Asset Management System, Apex, to ensure that Southwark has the best possible tools for managing its stock in the long-term. As well as looking at how other organisations make use of their AMS, the project group has been investigating the demands of all the divisions within the housing and community services department in order to progress towards a more streamlined and integrated asset database to complement the functionality and information stored on the main housing management system, Northgate. It is expected that this project will lead to an expansion of the information held and a requirement to update the procedures which help capture all relevant asset-related data, ensuring information is continuously updated and a high level of accuracy is maintained. In addition to holding extra information, the aim of this project is to make asset-related information more easily accessible to other divisions or departments such as regeneration, repairs and specialist housing. Achieving this will inevitably require some additional investment in order to extend the capabilities of our systems, required help process the additional information to be consolidated on the AMS. In preparation, it will also be necessary to engage in wide-ranging data-cleansing exercises to ensure that only reliable information is being used to help make important decisions about investment planning, such as option appraisals or area-based regeneration initiatives. The potential costs of adding the desired functionality is currently being investigated in conjunction with our existing software suppliers.
 - Major Works Website: Work has already begun to write a new section of Southwark's website, specifically relating to current major works schemes and future investment programmes. The aim is to make information about planned work as readily available as possible – and ensure that the information available is well-maintained and continuously updated. Initially, work is being undertaken to amalgamate relevant information into easily digestible formats. A quarterly update schedule will be implemented to ensure that the responsible teams keep published information up to date.
16. The three exercises outlined above will, together, have a major impact on the quality of archival information about Southwark's estates and housing stock that is available to officers, contractors and residents. Easy access and rational organisation of information are the guiding principles of all of these, and with the appropriate tools in place to handle the burgeoning amount of data, will enable the council to make significant progress towards having more pro-active planned maintenance and investment strategies to meet medium- and long-term objectives.

Community impact statement

17. This decision has been judged to have no significant impact on local people and communities or disadvantage any protected group.

Director of Legal Services

18. The report author has identified that the risk registers contain significant information about the risk profile of projects and the risk management strategies in place to address the same. However the report author has at paragraphs 10 to 12 of the report also outlined how in the interests of transparency risk information associated with regeneration projects will be made publically available at various stages of all projects.

19. The Freedom of Information Act 2000 ('the Act') establishes a statutory right for anyone to submit a request for recorded information held by the council. Therefore any person (which includes an individual, company, partnership etc) could request a full copy of the risk registers under the Act and this decision will not override their statutory right to make such a request.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Regeneration Risk Registers and Archive Records of Housing Estates (Report of Overview and Scrutiny)	http://moderngov.southwarksites.com/documents/	Shelley Burke, Southwark Council

APPENDICES

No	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Regeneration and Corporate Strategy and Councillor Ian Wingfield, Deputy Leader and Housing Management	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Sam Fowler, Project Director	
Version	Final	
Dated	8 July 2013	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	No
Cabinet Members	Yes	Yes
Date final report sent to Constitutional		8 July 2013

Item No. 23.	Classification: Open	Date: 16 July 2013	Meeting Name: Cabinet
Report title:		Primary Investment Strategy	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Dora Dixon-Fyle, Children's Services	

FOREWORD – COUNCILLOR DORA DIXON-FYLE, CABINET MEMBER FOR CHILDREN'S SERVICES

Southwark's school children are achieving higher, schools are performing better and parents are happier with the range of schools in the borough. Some 83% of Southwark's primary school children achieved the expected levels of progress in English and maths combined in 2012 compared to 79% of their national peers. Similarly, around 80% of primary schools have been judged good or outstanding by Ofsted, which is in the top quartile of performance nationally. The council also continues to guarantee a local primary place for every child who wants one, while just under 95% of parents received one of their preferences for a reception place last September.

These improvements have been supported by sustained investment in school places and the schools estate over recent years. The council has spent £170m in improving Southwark's primary and secondary schools through the Southwark Schools for the Future programme over the past 4 years, including £38m to expand the number of primary places.

In order to ensure our continued educational successes, further investment is needed to meet the rising demand for reception places and ensure our school children learn in quality educational environments. Southwark, like other local authorities, has seen a significant increase in demand, with a predicted additional 420 reception places (14 forms of entry) required by September 2015. This is in addition to the 1,080 extra reception places created between 2009 and 2013.

The pace and scale of the increase in demand for reception places requires a determined, sustained investment programme, one which maximises efficiency and effectiveness of the borough's existing school estate, builds on the popularity of local high-performing schools, and seeks to engage external funding sources and school providers to ensure the best opportunities for the borough's school children.

The place planning and investment strategies outlined in this report will achieve these objectives through a flexible approach which uses a range of options, including temporary or permanent expansions alongside the development of new provision in existing sites in collaboration with high-performing local schools or providers. This ensures new places are created where and when they are needed, ensuring value for money for the council and residents, and financial security and stability for the borough's schools. This flexible, dynamic approach is underpinned by an enduring commitment to quality, with expansion focused on high-performing and popular schools, thus ensuring that parents and children continue to benefit from the best educational opportunities the borough can offer. I recommend this report to cabinet.

RECOMMENDATIONS

1. That cabinet notes the forecast demand for primary places and associated need for the creation of additional capacity within Southwark's primary estate.
2. That cabinet confirms its approval of the proposed primary investment programme outlined in Table 3 and paragraphs 45 and 46.
3. That cabinet agrees to open initial consultations on the statutory proposals to permanently enlarge the seven schools identified in paragraph 49.
4. That cabinet delegates to the Strategic Director of Children's and Adults' Services the approval of budgets for individual permanent expansion projects within the programme budgets identified within this report.
5. That cabinet notes the potential capital liabilities in future years and that ongoing engagement with the Department for Education will be required to ensure funding is sufficient to meet the requirement for new places.
6. That cabinet notes that the Strategic Director of Children's and Adults' Services will approve a programme of temporary expansion for 2014/15 by autumn 2013.

BACKGROUND INFORMATION

7. The council's primary places strategy was adopted by Council Assembly in June 2008, and updated last year following significant national policy changes. Coproduced with primary headteachers, it provides a robust policy framework for investment decisions in support of the council's statutory responsibilities to champion educational excellence and ensure sufficiency of school places locally.
8. The strategy's vision commits the council to ensuring that every child, young person and family in Southwark leads independent, healthy lives, feeling safe and secure and achieving their full potential. It has supported the council guarantee that every child has access to a quality local primary place, with parents able to choose from a community of outstanding schools. This ambition is achieved through supporting all schools to be good or outstanding.
9. The strategy and aligned capital programme have supported improved performance in the borough's schools, with primary pupils now achieving above the national average at the end of key stage 2, and some 80% of primary schools judged by Ofsted to be good or outstanding. In addition, more and more parents are choosing to educate their children in the borough, with subscription levels continuing to rise.
10. These improvements in local performance are set against a radically altering national landscape, with the rapid expansion nationally of the academies programme and introduction of free schools, alongside major reform of school financing and capital investment approaches by government. This includes a new presumption, under the 2011 Education Act, that a local authority must seek an academy partner for any new school. As a result, to open a new school close working will be required with free school proposers, the Department for Education, academy groups, diocesan authorities and local schools.
11. There are currently two free schools open in the borough, with a further two in development, offering 240 reception places (8 forms of entry) in total.

12. In keeping with the experience of local authorities across the country, Southwark has experienced rising demand for reception places over recent years. As a result of the primary places and investment strategies, the council has met this demand through a programme of expansions, creating 1,080 additional reception places in 25 schools from September 2009 to September 2013.
13. This level of expansion has been achieved through robust annual forecasting of demand and careful management of the schools estate, to ensure that places come on stream as demand feeds through the system, in order to ensure financial viability and stability for local schools. Expansions to date have focused on using existing capacity within the schools estate where possible in order to maximise efficient use of resources and support local schools. This has been achieved by taking a flexible approach, utilising temporary, permanent and temporary-to-permanent expansions as best suits the needs of the school, community and borough.
14. Like other authorities, Southwark has seen an acceleration of demand for reception places over the past two academic years, with for example a 5% increase in applications between 2011 and 2013. Changing population patterns as a result of the impact, among others, of welfare reform and migration will all affect the projections.
15. As a result, the approach outlined in this report highlights the need for continued flexibility to bring additional capacity on stream as demand materialises, and using the fullest range of options available, including temporary and permanent expansions of existing schools alongside developing new school provision in collaboration with existing local high-performing schools.

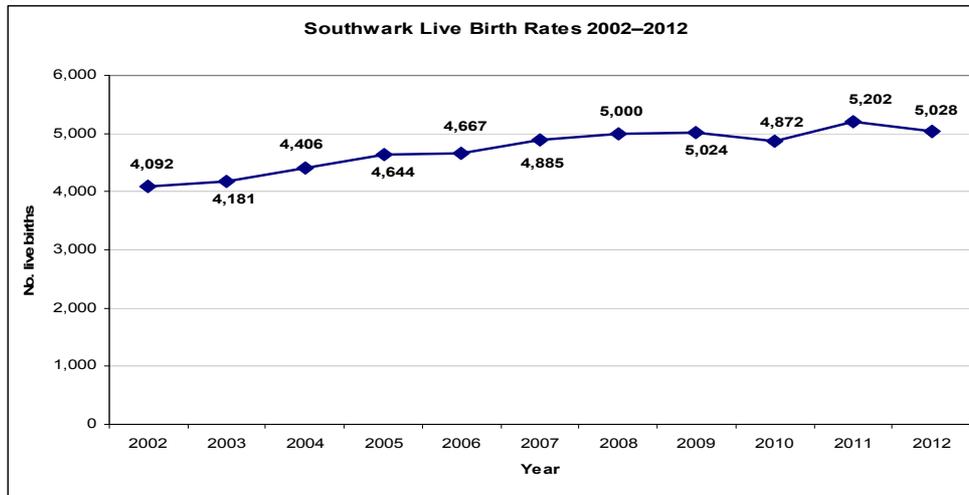
KEY ISSUES FOR CONSIDERATION

Pupil place planning

16. Southwark's pupil place planning is based on Greater London Authority (GLA) projections which are themselves informed by:
 - Current school rolls
 - Birth rates
 - Underlying population projections
 - Migration
 - New housing

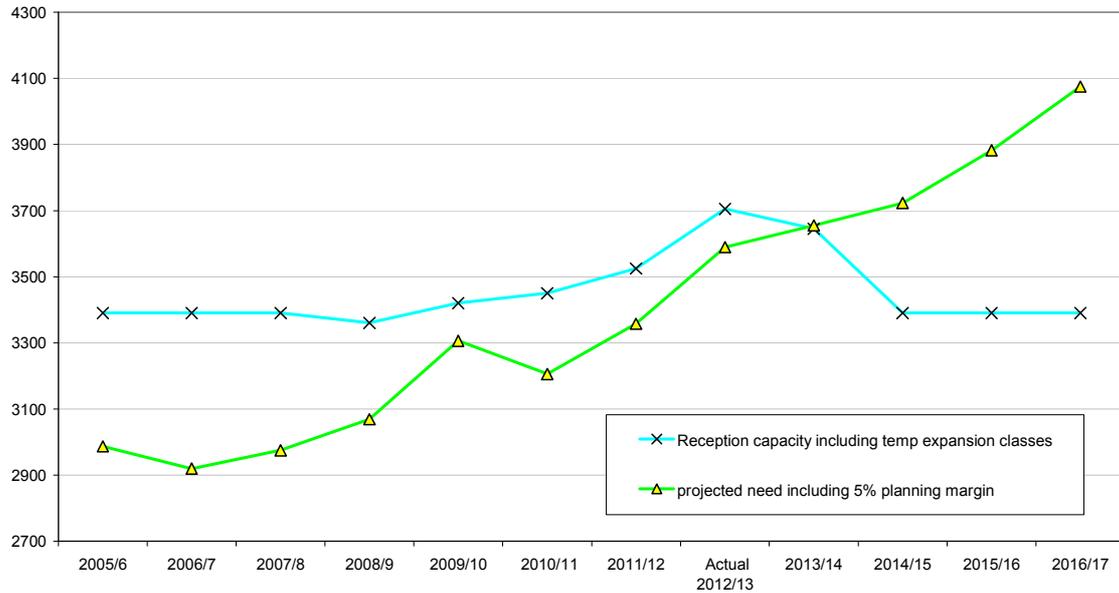
17. Birth rates in Southwark are following an upward trend as shown in Figure 1.

Figure 1: Southwark live birth rates



18. A 5% planning margin is added to the projections to ensure that in a time of rapid growth the forecasts are not underestimating demand and also to ensure that there will be sufficient places to respond to parental choice along with the possible impact of welfare changes, which may result in greater short term mobility of the local population and hence a possible under reporting of the numbers who will need primary school places.
19. The combined data shows an ongoing trend for additional reception children in Southwark requiring a school place. This pressure on places is being experienced and anticipated across London and regular liaison meetings are held between Southwark officers and those in neighbouring boroughs to cross refer data and inform pupil place planning and discuss delivery proposals to ensure that patterns of supply and demand are appropriate.
20. Figure 2 shows the anticipated demand for reception places against available places.

Figure 2: Reception capacity and anticipated reception place demand



21. As Figure 2 shows, it is anticipated that demand will outstrip supply from 2014/15 and on into future years. As a result, in line with the council's place planning strategy, it is proposed that this demand will be met through expanding existing schools and developing new provision in collaboration with existing local high-performing schools.
22. To assist in the planning of a response to pupil place demand the data is prepared for both the borough as a whole and also for individual community councils. This breakdown into smaller planning areas enables a pattern of need to be determined and the necessary response mapped more effectively onto local schools.
23. Table 1 shows the predicted shortfall in reception places by planning area over the coming academic years.

Table 1: Shortfall in reception places by planning area

	September 2014	September 2015	September 2016
North West (Borough, Bankside and Walworth)	0 FE	0 FE	2 to 3.5 FE
North East (Bermondsey and Rotherhithe)	4 to 5.5 FE	6.5 to 8 FE	7.5 to 9FE
Central West (Camberwell)	0 to 0.5 FE	1.5 to 2.5 FE	2 to 3 FE
Central East (Peckham and Nunhead)	2 to 3.5 FE	3 to 4 FE	4.5 to 5.5 FE
South (Dulwich)	2.5 to 3 FE	1.5 to 2 FE	1.5 to 2 FE
Total	8.5 to 12.5 FE	12.5 to 16.5FE	17.5 to 23FE

Notes: FE is an abbreviation of Forms of Entry. One form of entry is equivalent to 30 additional places in a year group or 210 places across a school.

The higher figure in the range incorporates the 5% planning margin.

24. The planning data shows a significant differential between anticipated demand across planning areas and as such any response needs to broadly match this pattern of demand. The planning data has been revised since that reported in November 2012 following the receipt of updated projections from the GLA, which now include the 2011 Census household formation figures.
25. In consideration of the revised pupil place planning data it is proposed that a target of 14FE of permanent expansions should be progressed at this time in order to meet demand up to and including September 2015, subject to further review annually.
26. It is likely that up to 4 FE of demand in September 2014 can be met within the schools to be permanently expanded; in addition up to 5 FE may be met from the emerging Free Schools however this is anticipated to leave a shortfall of up to 3 FE that will need to be met from further temporary expansions.
27. Temporary expansions in September 2013 are to be delivered within a budget of £2.5m and it is expected that a similar budget for September 2014 will be sufficient to deliver the required places.

A diversifying school landscape

28. The diversification of the local schools market has included the introduction of free schools into the borough. Although these provide additional capacity to support place planning, it is noted that challenges remain in ensuring that the education offer and places effectively respond to local demand.
29. In September 2012, Southwark Free School opened in temporary accommodation in a Tenants' Hall on the Ledbury Estate in central Southwark.

This opening is in advance of their anticipated permanent establishment as a 2FE primary school in new accommodation to be constructed in Rotherhithe New Road. These proposals were refused by the local planning authority in June 2013.

30. Should this application be successful on appeal, or following consideration by the Mayor's Office, the earliest possible date of opening in permanent accommodation is September 2015. Officers are in ongoing discussion with the Free School and the EFA in regard to their short, medium and long term accommodation needs.
31. The Judith Kerr Free School is a planned 2 form entry German-bilingual proposal that has confirmed its intent to open in temporary accommodation in Half Moon Lane in the Dulwich planning area in September 2013. Due to the school's specialism the pupils are expected to be drawn from both in and out of borough and as such this school is assumed to provide 1FE of demand in pupil place planning.
32. In May 2013 the Harris Primary Free School East Dulwich was approved for opening with a target date of September 2014. The academy chain has identified the former site of the East Dulwich Hospital as its preferred site and discussions between the Education Funding Agency and the owners of the site are ongoing.

Primary estate review

33. In April 2012, 4 Futures, Southwark's local education partnership, was commissioned to carry out an inspection of the entire primary estate and linked educational buildings to assess existing capacity and the viability and cost of expansion. It also carried out detailed condition and measured surveys.
34. The outputs of this study have been reviewed and have resulted in 23 schools and education sites being longlisted for further consideration for permanent expansion. The longlisted schools are shown in Table 2.

Table 2: Longlist of schools under consideration for permanent expansion

School	Planning Area
Albion Primary School	Bermondsey and Rotherhithe
Galleywall site	Bermondsey and Rotherhithe
Grange Primary School	Bermondsey and Rotherhithe
Phoenix Primary School	Bermondsey and Rotherhithe
Redriff Primary School	Bermondsey and Rotherhithe
Charles Dickens Primary School	Borough, Bankside and Walworth
Cobourg Primary School	Borough, Bankside and Walworth
Keyworth Primary School	Borough, Bankside and Walworth
Robert Browning Primary School	Borough, Bankside and Walworth
Surrey Square Primary School	Borough, Bankside and Walworth
Bessemer Grange Primary School	Camberwell
Comber Grove School	Camberwell
Crawford Primary School	Camberwell
Oliver Goldsmith Primary School	Camberwell

Bellenden Primary School	Peckham and Nunhead
Camelot Primary School	Peckham and Nunhead
John Donne Primary School	Peckham and Nunhead
Old Bellenden site	Peckham and Nunhead
Rye Oak School	Peckham and Nunhead
St James the Great Roman Catholic Primary School	Peckham and Nunhead
Dulwich Hamlet Junior School	Dulwich
Dulwich Village Church of England Infants' School	Dulwich
Langbourne Primary School	Dulwich

35. These longlisted schools/sites were considered, at a high level, to have capacity to expand either within their existing accommodation or following a cost-effective investment in their accommodation or in new accommodation. Further, the schools were open to exploring the possibility of expansion.
36. Permanent expansion would involve enlarging schools with additional classroom and other amenity space effectively integrated into the overall school to provide quality permanent accommodation within which the additional pupils can be taught.
37. In most planning areas the number of potential places that could be delivered at longlisted schools (or other schools not currently longlisted) is greater than those required in the short and medium term.

Meeting the expansion need

38. Expansion decisions have been guided by the council's place planning strategy. The key principles to underpin investment for permanent expansion are as below:
- **Fairness:** Investment will be prioritised on providing high-quality places local to every family, ensuring equity for families, pupils and schools
 - **Quality:** Investment will be focused on expanding high-performing and popular schools where possible, working with existing schools and promoting collaboration in an increasingly diverse system
 - **Needs led:** Investment will be prioritised where demand for places is greatest, and will support improvements to the estate as and when appropriate
 - **Best use of resources:** For organisational and educational reasons, investment will be prioritised on eliminating half forms of entry where viable, ensuring accommodation is quality and cost-effectively secured, and maximising the use of a school's site for educational purposes
 - **Inclusion:** Children with special educational needs should be included in mainstream schools where possible and appropriate
 - **Community:** Investment will, where possible, support the provision of high-quality external play space with green areas, particularly for early years, on-site kitchens and facilities which raise aspirations, encourage community cohesion and improve life chances for children, young people and families
39. In April 2013 all primary schools and diocesan representatives were invited to a workshop to discuss and agree those schools that should be expanded in Phase 1 of the programme, which would cover expansions for 2015. Schools were advised that pupil place demand was forecast to increase over the coming years

and therefore it was not expected that schools would 'miss out' on investment if they were not part of Phase 1. This workshop reached a consensus view with a number of schools considering that the deferral of any expansion at their sites would be preferred as a result of new management arrangements or a need to focus on standards. Other schools accepted that they were not in an area of high demand (although some were experiencing demand for places at their schools as a result of their popularity).

40. This has resulted in a proposed programme of expansion at existing high-performing and popular schools, alongside additional capacity from existing and planned free schools

Phase 1 projects (meeting demand for 2015)

41. Table 3 summarises the schools, sites and free schools that are proposed as Phase 1 to deliver the required places by September 2015.
42. Two sites that are intended to be brought back into permanent educational use are Galleywall and Old Bellenden. Galleywall is currently in use as a decant site for Southwark Park Primary School until at least September 2014, and for planning purposes any new works could begin early 2015. Due to the buildings' continuing use as a primary school and the nature of the works likely required this should enable the opening of new places in September 2015.
43. Old Bellenden is currently a facility used by youth services and a community group, and it is anticipated that works to bring it back into educational use could be completed by September 2016, but with places available for reception in 2015.

Table 3: Phase 1 investment programme

School	Ofsted Rating	Type	Planning Area	Additional Forms of Entry by September 2015
Keyworth	Outstanding	Expansion	Borough, Bankside and Walworth	0 ¹
			Subtotal	0 (0)
Southwark Free School	N/A	Free School	Bermondsey and Rotherhithe	2
Albion	Outstanding	Expansion	Bermondsey and Rotherhithe	1
Grange	Good	Expansion	Bermondsey and Rotherhithe	0.5
Galleywall	N/A	New provision	Bermondsey and Rotherhithe	2
			Subtotal	5.5 delivered (6.5 to 8 demand)
Old Bellenden	N/A	New provision	Camberwell	1 or 2 ²
Bessemer Grange	Good	Expansion	Camberwell	1
Crawford	Outstanding	Expansion	Camberwell	1
			Subtotal	3 or 4 (1.5 to 2.5)
John Donne	Outstanding	Expansion	Peckham and Nunhead	1
			Subtotal	1 (3 to 4)
Judith Kerr Free	N/A	Free School	Dulwich	1 ³

School				
Harris Primary Free School	N/A	Free School	Dulwich	2
Langbourne	Good	Expansion	Dulwich	1
			Subtotal	4 (1.5 to 2)
			Total	13.5-14.5 (12.5 to 16.5)

Notes:

- 1 – No net increase as a result of Keyworth’s increase by half FE offsetting historic reduction of Townsend by half FE.
 2 – Further capacity assessment required.
 3 – Two form entry school but assuming one form of entry for planning purposes.

Phase 2 projects (meeting demand in 2016)

44. Pupil place planning forecasts show the likelihood of ongoing demand for places across Southwark after September 2015. For planning purposes an assumption of a delivery of a further 5 FE of places by 2016 is considered a reasonable target. Considering the pattern of demand, this additional capacity will be targeted on Borough and Bankside; Peckham and Nunhead; and Bermondsey and Rotherhithe planning areas.
45. A first school identified for Phase 2 is Charles Dickens, in line with demand in the Borough, Bankside and Walworth planning area. The school has taken temporary expansions in 2012 and 2013 and has made arrangements for further temporary expansions in 2014 and 2015 to enable a smooth transition to permanent expansion in 2016.
46. Further additional capacity has also been identified through developing the existing site at Bredinghurst, which is now available for development following the rebuilding of the school through the Building Schools for the Future programme. It is proposed that this site is developed to provide additional school places through working with a local school. Building works should be completed by September 2016 but places in reception will be sought to be delivered ahead of these building works.

Revenue

47. There will be a revenue cost arising through the delivery of the programme to meet internal project management costs and those other costs arising through associated non-capital liabilities e.g. security. Schools have confirmed £2m of Dedicated Schools Grant will be made available to support the investment programme.

Statutory proposals

48. The enlargement of a school’s building by more than 25% of its net capacity requires the publication of statutory proposals. This includes initial consultation with all stakeholders and the outcome of consultation being formally considered before the publication of a public notice, giving a further opportunity for comment before a final decision is taken.
49. Statutory proposals will be required for the enlargement of Keyworth primary school from September 2014, Albion, Bessemer Grange, Crawford, Grange and

John Donne primary schools from September 2015 and Charles Dickens from September 2016.

Condition

50. Alongside the expansion outcomes of the study there are ongoing condition liabilities across the estate. Generally the primary estate is in good condition following planned investment and renewal by Southwark, the Diocese and individual schools. However with the nature and age of the stock ongoing investment is required to ensure that buildings continue to be safe, warm and dry.
51. Overall £23m of investment has been identified though the condition surveys as being required in the primary estate over the next 10 years with an average investment of £3.5m shown over the first five years. The condition survey outputs are under review and an investment programme is being developed balancing priority of investment and economic phasing and bundling of works. This programme is due to be developed to enable investment to start in 2014/15 in line with the expansion investment programme in order that both are funded as part of a co-ordinated investment programme.
52. An assumption at this time of £3.5m of investment in building fabric issues outside of the expansion programme per year is considered to be sufficient for financial planning purposes ahead of the development of a detailed programme.

Policy implications

53. The primary planning and investment strategies are fully aligned to local planning and policy frameworks including the Council Plan, and Children and Young People's Plan. These outline the council's continued commitment to supporting schools to be outstanding, with children and young people able to achieve their full potential, and parents able to exercise real choice in a high-performing local schools system.

Community impact statement

54. The impact on communities of the issues and recommendations within this report has been considered in line with Southwark's Approach to Equality. Generally the recommendations will have a positive impact on communities with increased provision of primary places in areas where they are needed enhancing community cohesion.
55. Upon review (and in consideration of protected characteristics), the recommendations within this report have an equal impact on communities except in terms of faith. Although the approach to identifying primary expansion opportunities has been open and equal the outcome has been that currently no faith schools are identified for expansion in Phase 1 and only a small number are represented on the longlist.
56. This is not directly as a result of faith but as a result of other factors and constraints (location, building and site constraints, school's own desire and capacity to expand). Some expansion of faith schools has taken place as part of earlier expansion programmes.

57. In light of the above it is considered that although the outcomes appear to be unequal in regard to the recommended investment in faith schools there are other factors informing these outcomes that make it reasonable to adopt these recommendations.

Financial implications of expansion programme

58. Subject to the Free Schools within Phase 1 being funded directly by the Education Funding Agency the overall expansion programme is considered deliverable within a budget of £40m with investments in individual schools ranging from between £2m and £8m. A further £7m of condition funding should be set aside for investment in condition in 2014/16 and £3m for temporary expansions in September 2014. As such the total required investment in the primary estate up to September 2015 is estimated to be £50m.
59. It is the intention to maximise funding through other sources in particular pertaining to land receipts and local regeneration to create synergy. It is likely that this would be the case with the Albion expansion project.
60. Funding for the programme is shown in Table 4:

Table 4: Primary Investment Programme Phase 1 funding

Funding Stream	Existing (£m)	2013/14 (£m)	2014/15 (£m)	2015/16 (£m)	Total (£m)
DfE Basic Need grant	9.2	6.7	6.7	Not announced	22.6
DfE Condition Grant		2.5	Not announced	Not announced	2.5
Targeted Basic Need	0	0	4.3	0	4.3
Southwark Funding	3.2	3	10	0	16.2
S106/CIL	0	2	1.5	1.5 (projected)	5
Total	12.4	14.2	22.5	1.5	50.6

Phase 2

61. The delivery of Phase 1 is likely to leave only a small amount of residual funding for the second phase of expansion required to meet anticipated demand for 2016. For planning purposes an assumption for the delivery of a further 5 FE of places in a second phase would effectively mitigate the risk of a shortfall of places and funding. A reasonable assumption based on the expansion costs of the longlisted schools would be a liability against each project of between £2 and £8m and an overall cost of between £20 and £25m with a further allowance for condition. Subject to funding from the DfE staying broadly consistent with the 2013 settlement, and a similar availability of s106 and CIL funding, steps must be taken to identify the remaining £11-16m required in 2016/17.
62. In order to address this need we will seek to source additional grant from the Department for Education. This will require both political and officer engagement at the appropriate levels within the Department for Education. Should further

grant not be available, or such additional grant be insufficient to fully meet this shortfall, any such shortfall would need to be met from relevant S106 or CIL or through Southwark's own funding.

63. In both phases schools shall be responsible for any ongoing revenue implications arising from expansion.

Delegation of financial authority

64. It is recommended that the Strategic Director of Children's and Adults' services be given authority to approve the budgets for individual permanent expansion projects within the programme budgets identified within this report.
65. This delegation will enable projects to progress expediently following more detailed design that will identify more precisely the liabilities against each project. It is proposed that an annual update report to Cabinet in regard to the primary investment programme and specific budgets, contingencies, progress and outcomes is considered by Cabinet.

Procurement

66. The necessary construction works and services for the expansion and new provision that will be delivered directly by the council are proposed to be procured through a combination of:
- the London Construction Procurement Framework (an OJEU compliant consultancy framework managed by the London Borough of Haringey)
 - IESE (an OJEU compliant consultancy and contractor framework successfully used to deliver projects at Queen Road and currently in use to delivery the direct delivery housing programme),
 - Southwark's Local Education Partnership (procured to deliver Southwark's Building Schools for the Future programme but with capacity to deliver further education works and services)
 - Open Tender
67. It is expected that projects will be bundled for procurement purposes with each bundle subject to a Gateway process. This bundling and the preferred route for each bundle will be informed by the value, complexity, building type, timing, location and risk characteristics for each project.

Consultation

68. Consultation with stakeholders is ongoing. A meeting with primary Headteachers was held in April 2013 to discuss the proposed programme and its development.
69. Parents, pupils and school staff will be fully consulted through the consultation on statutory proposals and the design development process for the new schools.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

70. Cabinet is advised it can accept the recommendations outlined in the report under the Council's Constitution.

71. Cabinet is advised that the Education Act 2011 has removed the legal power for local authorities to establish community schools to address the issue of increased demand for primary places. Therefore Cabinet is advised that the Local Authority may look to existing provision to expand or to free schools and academies to meet demand.
72. Cabinet is advised in respect of the 3rd recommendation; the Local Authority has school reorganisation duties under the Education Act 1996 and the Education and Inspections Act 2006. s.14 Education Act 1996 places a duty on local authorities to ensure that there are sufficient primary and secondary schools in their area. Cabinet is advised that the Local Authority must ensure there are enough school places to meet needs as well as working to secure diversity of provision. The Local Authority is also bound by the duty to take into account parental preference in so far as to do so avoids unreasonable public expenditure.
73. The threshold for the requirement to consult on statutory proposals is found in the School Organisation (Prescribed Alterations) Regulations 2007. Cabinet is further advised that consultation on proposals to effect permanent expansion must be carried out in line with the duration and manner as set out in the statutory guidance "Expanding a Maintained Mainstream School by enlargement or adding a sixth form – A Guide for Local Authorities and Governing Bodies" updated 1 February 2010.
74. In all of the recommendations, Cabinet will note the duty to have due regard to the public sector equality duty under s.149 Equality Act 2010. In the event that Cabinet is later asked to proceed with the publication and determination of statutory notices; the equality implications will be presented for consideration.
75. Cabinet will note the reference in the report to the Fairer Future for All promises and the Children and Young People's Plan and the compliance of the Place Planning Strategy with the aims and objectives.
76. Cabinet is reminded of the obligation to consider wellbeing and public health following establishment of the Health and Well-Being Board.

Head of Procurement

77. This report details the councils proposed investment strategy for Primary school buildings. It outlines a programme of expansion which will be delivered through a series of construction works and construction related services contracts.
78. Corporate procurement has worked with the project team to identify potential procurement routes suitable to for securing these types of contracts. All routes listed in paragraph 66 are EU compliant and satisfy the council's contract standing orders.
79. As bundles of work are created it will be necessary to assess the procurement options available. Paragraph 67 confirms that bundling decisions and recommendations regarding the procurement strategy of each bundle will depend on a number of factors. Each bundle will therefore be the subject of separate gateway reports which will follow the required routes for internal approval.

Strategic Director of Finance and Corporate Services

80. The Strategic Director of Finance and Corporate Services notes that this report identifies both revenue and capital costs for the primary school estate as a result of the proposals in this report.
81. There will be revenue costs arising through the delivery of the programme, including for internal project management costs. The report confirms that £2m of Dedicated Schools Grant will be made available to support the investment programme in this respect, and it is anticipated that this will be sufficient. Should other resources be required this will be found from within existing departmental budgets.
82. The capital costs are outlined in the section “Financial Implications of expansion programme” including the on-going investment required to keep premises in a warm, dry and safe condition. There are various sources of funding for the Phase 1 programme which is recommended in this report. To continue with the phase 2 projects, additional capital funding of around £11-16m is required, and the report identifies that the council will seek additional grant from the Department for Education. Should further grant not be available, or such additional grant be insufficient to fully meet this shortfall, any such shortfall would need to be met from alternative sources including relevant S106 or CIL or through Southwark’s own funding.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Primary Strategy for Change	http://moderngov.southwarksites.com/documents/s1106/Primary%20strategy%20for%20change.pdf	Merril Haeusler, Southwark Council

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Dora Dixon-Fyle, Cabinet Member for Children's Services	
Lead Officer	Romi Bowen, Strategic Director of Children's and Adult Services	
Report Author	Sam Fowler, Project Director, Chief Executive's Department	
Version	Final	
Dated	4 July 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	8 July 2013	

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Richard Livingstone	1		
Victoria Mills	1	Officers	
Catherine McDonald	1	Doreen Forrester-Brown	1
Veronica Ward	1	Jennifer Seeley	1
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Neil Coyle	1	Chris Cooper, Unison	1
Gavin Edwards	1	Neil Tasker, UCATT	1
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Southwark News	1		
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Members of Parliament			
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