

Cabinet

Tuesday 15 June 2010
7.00 pm
Town Hall, Peckham Road, London SE5 8UB

Membership

Councillor Peter John
Councillor Ian Wingfield
Councillor Fiona Colley
Councillor Dora Dixon-Fyle
Councillor John Friary
Councillor Barrie Hargrove
Councillor Richard Livingstone
Councillor Catherine McDonald
Councillor Abdul Mohamed
Councillor Veronica Ward

Portfolio

Leader of the Council
Deputy Leader and Housing Management
Regeneration and Corporate Strategy
Health and Adult Social Care
Community Safety
Environment, Transport and Recycling
Finance and Resources
Children's Services
Equalities and Community Engagement
Culture, Leisure, Sport and the Olympics

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Paula.thornton@southwark.gov.uk ; everton.roberts@southwark.gov.uk
Webpage: <http://www.southwark.gov.uk>

Members of the committee are summoned to attend this meeting

Councillor Peter John

Leader of the Council

Date: 7 June 2010



Item No.

Title

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Cabinet

Tuesday 15 June 2010
7.00 pm

Order of Business

Item No.

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PART A - OPEN BUSINESS

MOBILE PHONES

Mobile phones should be turned off or put on silent during the course of the meeting.

1. APOLOGIES

To receive any apologies for absence.

2. NOTIFICATION OF ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

In special circumstances, an item of business may be added to an agenda within five clear working days of the meeting.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.

4. PUBLIC QUESTION TIME (15 MINUTES)

To receive any questions from members of the public which have been submitted in advance of the meeting in accordance with the cabinet procedure rules.

Item No.	Title	Page No.
5.	MINUTES	1 - 15
	To approve as a correct record the minutes of the open section of the meetings held on the 23 and 26 March 2010.	
6.	A FAIRER FUTURE FOR ALL IN SOUTHWARK	16 - 20
	To note the mission and commitments of the new administration.	
7.	HOUSING REVENUE ACCOUNT REFORM - 'COUNCIL HOUSING: A REAL FUTURE' CONSULTATION PAPER	21 - 56
	To request that the finance director be instructed to respond to the consultation paper in the terms employed within this report and with particular reference to the areas of concern highlighted.	
8.	PROPOSED AMENDMENT TO INTERIM OUTLINE BUSINESS CASE FOR AYLESBURY ESTATE PRIVATE FINANCE INITIATIVE	57 - 62
	To seek agreement to amend the scope of its Outline Business Case (OBC) under the Government Private Finance Initiative (PFI) to include sites 1b & 1c as well as those in Phases 2 & 3 and to request officers to consult with affected local residents to obtain their views on possible changes to the phasing and timing of the Aylesbury regeneration programme.	
9.	PLANNING ENFORCEMENT REVIEW - REPORT FROM SCRUTINY SUB-COMMITTEE C	63 - 81
	To consider a report and recommendations from the scrutiny sub-committee C on planning enforcement review.	
10.	PARENTAL ENGAGEMENT REVIEW - REPORT FROM THE CHILDREN'S SERVICES AND EDUCATION SCRUTINY SUB-COMMITTEE	82 - 91
	To consider a report and recommendations from the children's services and education scrutiny sub-committee on parental engagement review.	
11.	EARLY YEARS REVIEW - REPORT FROM THE CHILDREN'S SERVICES AND EDUCATION SCRUTINY SUB-COMMITTEE	92 - 111
	To consider a report and recommendations from the Children's Services and Education Scrutiny Sub-Committee on early years review.	

OTHER REPORTS

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The following items are also scheduled to be considered at this meeting.

- 12. DEPUTATION REQUEST - COOLTAN ARTS**
- 13. APPOINTMENTS TO OUTSIDE BODIES 2010-11**
- 14. APPOINTMENTS TO PANELS, BOARDS AND FORUMS 2010-11**
- 15. RECOMMENDATIONS TO COUNCIL ASSEMBLY ON THE ESTABLISHMENT OF A SOUTHWARK DEMOCRACY COMMISSION**
- 16. DELEGATION FOR CONTRACT AWARD FOR PHASE 2 OF BUILDING SCHOOLS FOR THE FUTURE**

DISCUSSION OF ANY OTHER OPEN ITEMS AS NOTIFIED AT THE START OF THE MEETING

EXCLUSION OF PRESS AND PUBLIC

The following items are included on the closed section of the agenda. The Proper Officer has decided that the papers should not be circulated to the press and public since they reveal confidential or exempt information as specified in paragraphs 1-7, Access to Information Procedure Rules of the Constitution. The specific paragraph is indicated in the case of exempt information.

The following motion should be moved, seconded and approved if the cabinet wishes to exclude the press and public to deal with reports revealing exempt information:

“That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure Rules of the Constitution. “

PART B - CLOSED BUSINESS

- 17. MINUTES**

To approve as a correct record the closed minutes of the meetings held on 23 and 26 March 2010.

OTHER REPORTS

The following item is also scheduled to be considered at this meeting.

Item No.

Title

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- 18. DELEGATION FOR CONTRACT AWARD FOR PHASE 2 OF BUILDING SCHOOLS FOR THE FUTURE**

DISCUSSION OF ANY OTHER CLOSED ITEMS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT

Date: 7 June 2010



Executive

MINUTES of the OPEN section of the Executive held on Tuesday 23 March 2010 at 7.00 pm at Town Hall, Peckham Road, London SE5 8UB

PRESENT: Councillor Nick Stanton (Chair)
Councillor Kim Humphreys
Councillor Paul Kyriacou
Councillor Linda Manchester
Councillor Tim McNally
Councillor Adele Morris
Councillor David Noakes
Councillor Paul Noblet
Councillor Lewis Robinson

1. APOLOGIES

Apologies for absence were received from Councillor Lisa Rajan.

2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

There were no late items.

The Chair informed the meeting that item 17 of the agenda, Gateway 2 – Contracts Award Approval – Housing Major Works Contracts would be considered at a reconvened meeting of the executive which would be scheduled for Friday 26 March 2010 (12.30pm) to be held at 160 Tooley Street, SE1 2TZ.

In addition, the Chair informed the meeting that an urgent deputation request from the Home Owners' Council relating to the Housing Major Works Contracts item would also be considered at the reconvened meeting.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

Councillor Nick Stanton declared a personal non prejudicial interest in item 8, Southwark Secondary, Primary and In Year Admissions Schemes 2011 as one of his children was due to attend a Southwark secondary school in either 2011 or 2012.

4. PUBLIC QUESTION TIME (15 MINUTES)

The following public questions were asked at the meeting.

- **Mr Michael Hayes**

“Why do the public not get replies to the vast majority of questions asked via the environment call centre helpline and what are the council doing to correct this.

Will the council change what they publish & promise the public in regard to replies within certain timescales to reflect what happens in practice?”

Response from the executive member for resources

“Over the last year more than 230,000 customers have called on our environment line and on average 81% of calls were answered within 45 seconds. When you average out the time customers waited to get through over the past year, it falls well below a minute at 55 seconds.

The council is committed to improving to customer services as can be shown from the much improved website launched today.

Every customer enquiry is important to us and we will continue to ensure that high standards are reinforced within our customer service centre.

We are reviewing our existing performance metrics within the customer service centre and will ensure that the focus remains on quality, response times and resolution at the first point of contact where possible.

We remain committed to improving customer service and the changes to the website give us the opportunity to deliver those improvements.

The council has recently commissioned a review of customer contact for environment services & will use the review to develop effective ways of reducing avoidable contact where possible.

If there are specific examples where you have not received the high level of customer service that we expect I will be happy to discuss those with you.”

The chair, Councillor Nick Stanton thanked Mr Hayes for bringing the matter to the Council’s attention.

- **Ms Lilian Nyaga**

“How will long term partnering contractors for delivery of major works, work collaboratively with council take advantage of Government Incentives for benefit of its residents? What is the council doing in readiness for renewable heat Incentives that will start in April 2011?”

Response from the deputy leader and executive member for housing

“The new partnering contracts have been procured in a way that encourages collaboration and innovation not only in the delivery of major works, but also through securing additional resources from government and other agencies for the benefit of residents. For instance, it is intended that the new contractors will work with the Council on a range of energy efficiency bids including Carbon Emission Reduction Target (CERT), Retrofit for the Future, and Community Energy Saving Programme (CESP). A number of the proposed new contractors already have a successful history of securing and delivering incentive resources for the benefit of residents in Southwark and across London.

In respect of Renewable Heat Incentive (RHI), the Council has been closely monitoring all aspects of government energy and carbon reduction policy. It is highly likely that the council will be able to make use of both the introduction of Feed in Tariffs (FIT) this coming financial year (for electricity generating renewable technologies) and the proposed RHI (for heat generating renewable technologies).

The council note that unlike the FIT regime, the RHI will apply to all scales of heat generation and this will mean that the council's communal heating schemes could benefit from income from RHI tariffs. We believe that there is an inconsistency in government approach to large scale gas fired combined heat and power (CHP) - which would receive neither FIT nor RHI income - and less optimal domestic scale gas 'micro-CHP' which will receive FIT tariff income. The council will be responding with these concerns, and others to the current RHI consultation.

Using other existing sources of funding the council has already embarked on a number of projects which would supply heat generated by biomass (wood sourced) and waste derived fuels to communally heated estates. The aim of such projects is always to :

- reduce carbon emissions
- reduce fuel costs to the council, and hence to tenants and homeowners
- reduce dependence on use of gas (and hence being locked in to a traded commodity that is highly volatile in price with a long term trend to increase in price)

The council will take into account the predicted price impact of the RHI on these projects.”

5. MINUTES

RESOLVED

That the open minutes of the meetings held on 9 and 15 February 2010 be agreed as correct records and signed by the Chair.

6. DEPUTATION REQUESTS

Dulwich Park Friends Group

The executive agreed to hear a deputation from the Dulwich Park Friends Group. The deputation spokesperson, Mr Robert Johnson addressed the meeting to seek an assurance that Dulwich Park would continue to have a dedicated park manager with responsibility for the Dulwich Park Area only.

RESOLVED:

That the comments of the deputation be noted.

7. ADMISSION ARRANGEMENTS FOR COMMUNITY PRIMARY SCHOOLS, NURSERY SCHOOLS AND CLASSES - SEPTEMBER 2011

RESOLVED:

That the primary community schools, nursery schools and nursery classes admissions criteria for 2011 attached as appendix 1 to the report be agreed and the improvements to the school admissions process summarised at paragraph 3 of the report be noted.

These changes:

- Continue to reduce the complexity of the local scheme making it more easily understood by parents and carers;
- Meet all requirements of the required statutory frameworks; and,
- Bring admission arrangements across local boroughs in-line with one another.

8. SOUTHWARK SECONDARY, PRIMARY AND IN YEAR ADMISSION SCHEMES 2011

RESOLVED:

That the secondary, primary and in year coordinated admissions schemes for 2011 attached as appendices 1, 2 and 3 of the report be agreed. These changes:

- Reduce the complexity of the local scheme making it more accessible to parents and carers and thereby leading to fewer appeals;
- Meet all requirements of the required statutory frameworks; and,
- Bring admission arrangements across local boroughs in-line with one another.

9. REVENUE MONITORING 2009-10 - QUARTER 3**RESOLVED:**

1. That the updated quarter three revenue monitoring report for the General Fund and Housing Revenue Account (HRA) as at 31 January 2010 be noted.
2. That it be noted that the ongoing and unavoidable cost pressures have been addressed through the 2010/11 budget process.

10. LOCAL AREA AGREEMENT REFRESH**RESOLVED:**

That the proposed changes to the Local Area Agreement resulting from negotiations between officers and civil servants, as set out in paragraphs 10, 14, 16, 21, 24, 28 and 29 of the report be agreed.

11. SOUTHWARK'S ALCOHOL STRATEGY 2009-2012**RESOLVED:**

1. That the priorities and recommendations set out in the proposed Safer Southwark Partnership Alcohol Strategy 2010/12 (appendix 1 of the report) be noted.
2. That the draft Alcohol Strategy key priority areas as follows be agreed:
 - Children and Young People (CYP) Recommendations include: Young people having access to a specialist substance misuse service and raising the profile of substance misuse treatment, training and education.
 - Health and Social Care Recommendations include: Ensuring that Southwark's "Health and Inequalities Strategy 2009-20" and the Safer "Southwark Partnership Alcohol Strategy 2010-12" have a joined up approach to identify where alcohol has a significant impact on the health priorities for Southwark.
 - Crime and Community Safety: Recommendations include: Improving the information on the extent to which alcohol is a cause of crime and anti social behaviour and using the full range of new and existing powers to address alcohol related crime and anti social behaviour while ensuring that particular groups are not targeted inappropriately.

12. SOUTHWARK CIRCLE - A BRIEF UPDATE - SCRUTINY REVIEW (HEALTH AND ADULT CARE SCRUTINY SUB-COMMITTEE)

RESOLVED:

1. That it be noted that the members of the health and adult care scrutiny sub-committee welcome the Southwark Circle project and particularly favour aspects such as its level of informality; its comparative absence of bureaucracy and its organic approach for development.
2. That the issue of expanding the membership of the Southwark Circle steering group to include active Southwark Circle members be referred to the steering group for decision.
3. That it be noted that more targeted work is being carried out, such as the promotion of the project at community councils, with the aim to involve more people from other parts of the borough.
4. That a simple method be devised for logging a realistic proxy value or average equivalent commercial charge for each service delivered within the Southwark Circle scheme, with a view to measure what savings are being achieved.
5. That Southwark Circle be requested to provide further updates either to the overview and scrutiny committee or to the health and adult care scrutiny sub-committee on a six monthly basis, in order to monitor whether project's performance targets continue to be achieved and the extent to which decisions 2 to 4 above have been implemented.

13. GATEWAY 1 - TO PROVIDE CARE AND SUPPORT SERVICES IN EXTRA CARE SHELTERED HOUSING

RESOLVED:

1. That the procurement strategy outlined in the report to provide care and support services in extra care sheltered housing in Southwark be approved.
2. That the award of the contract be delegated to the strategic director of health and community services.

14. NEW AYLESBURY TRUST

RESOLVED:

1. That the winding up of the Aylesbury Regeneration Steering Group ("Steering Group") with effect from 1 April 2010 be agreed.

2. That the following councillors be appointed to The New Aylesbury Trust Limited ("New Aylesbury Trust"):

Executive Member for Regeneration (Councillor Paul Noblet)
 Councillor Lorraine Lauder
 Councillor Abdul Mohammed

15. MOTIONS REFERRED FROM COUNCIL ASSEMBLY 27 JANUARY 2010

Social Care in Southwark

RESOLVED:

1. That executive is grateful for the hard work and dedication of both the council's own social care staff and those of partner organisations providing care in the borough.
2. That executive regrets the publication of the recent draft report from the Care Quality Commission (CGC), without any input from the council because of the commission's refusal to discuss their findings with the council and notes the significant flaws, inaccuracies and factual errors including:
 - a) criticism of the the council's customer service centre based on a small sample survey which ignored evidence from the council's own customer service surveys showing increasing satisfaction. The executive also notes that the inspector failed to visit the dedicated and specialist call centre dealing with the most vulnerable residents.
 - b) contradictory assumptions about the council's spending on adult social care including the claim that "the proportion of council spend directed to adult social care was in the lowest quartile nationally", when the Audit Commission confirms that the council spends in the highest quartile nationally and the social care component of the council's formula grant as calculated by the Department for Communities and Local Government (DCLG) is in fact £22 million less than actual spending.
 - c) failure to recognise the council's beacon status for promoting cohesion, equality and driving out discrimination.
3. Executive welcomes the statement by Labour Minister of State for Care Services, Phil Hope, who in his letter to the council on 2 December acknowledges that the council is not a poor performer.
4. Executive believes that if the CQC report was a true reflection of a deterioration in service that this would have been picked up through complaints, MPs casework and council questions and motions. Executive notes that Harriet Harman states in her most recent annual report that social care issues were just 1.5% of the total, for Simon Hughes these were just 2% of the total caseload and that opposition members asked not a single question on the quality of social care in the last two years.

5. Executive supports the call for the findings to be subject to independent scrutiny to establish the facts, to allow the council to agree where improvement is actually needed and take action to improve services.
6. Executive registers its extreme concern about the implications of Southwark NHS' 5 year strategic plan.

Local Rail Services

RESOLVED:

1. That in light of the potentially detrimental effect on the amenity of the Herne Hill and Elephant and Castle area, it is viewed with serious concern the proposals by Network Rail and/or First Capital Connect to terminate the Thameslink Wimbledon loop services at Blackfriars. It is noted with concern amongst residents over adequate consultation and calls upon the executive and officers to liaise with other affected London boroughs to explore alternative options for the continuation of the current service providing through trains to Farringdon (for Cross Rail), to Kings Cross St Pancras (for Eurostar and other mainline services) and points north to Bedford.
2. That the recent extension of SouthEastern services from Nunhead, Peckham Rye, Denmark Hill and Elephant & Castle stations through the Thameslink tunnel from Blackfriars to Kentish Town, providing through trains for residents in Nunhead, East Dulwich, Peckham Rye and Camberwell to City Thameslink, Farringdon, Kings Cross St Pancras and Kentish Town be welcomed. The proposal that these services should be retained on completion of the Thameslink programme in 2015 be supported and the executive agrees to lobby to protect these services and indeed for additional services and destinations to be added for these stations when the increased capacity through the Thameslink tunnel is available
3. That the abysmal service currently being provided by First Capital Connect (FCC) be noted and the executive agrees to support local MPs and London Assembly members are supported in lobbying to ensure that a full service is restored, including removing the franchise from FCC if services do not improve rapidly, and to ensure that commuters are properly compensated for the disruption.

Improving Public Transport on the River

Executive notes:

1. That the River Thames is an integral part of the London Borough of Southwark, not just as a landmark, but as part of our transport system.
2. The recent publication of the report "At a Rate of Knots – Improving Public Transport on the Thames", that contains a number of proposals to improve river transport.

The executive believes:

3. That the restoration of the River Thames on the next edition of the standard tube map, recognising its potential as part of London's transport network, should be welcomed.
4. Improved river transport will attract more visitors to the borough, as demonstrated by the successful shuttle service which runs between Tate Modern and Tate Britain.
5. The council's plans to complete the Thames Path in Southwark will provide greater accessibility to river transport and enable visitors to explore the borough with greater ease.
6. That the potential for the expansion of river services exists, although it would wish to be assured that increased public subsidy for river services (as recommended by "At a Rate of Knots") could be achieved without a knock-on effect on subsidy levels for those transport modes on which a wider range of Southwark residents rely, including buses, underground and mainline rail.
7. That improving cross-river links is of equal importance to the borough. The executive therefore regrets the indications from the Mayor of London that Transport for London (TfL) is unlikely to contribute towards the development of a foot and cycle bridge over the Thames at Rotherhithe.

Executive agrees:

8. To consider how Southwark can promote greater awareness amongst our residents of existing river services and how they can use them.
9. To request that Southwark's transport policy team consider the proposals in the report, liaise with Transport for London (TfL) and the London Mayor's office, produce a report to executive on their viability and how Southwark could support them.
10. To request that Southwark's transport policy team also consider as part of this report any public realm improvements associated with the completion of the Thames Path.
11. To re-iterate support for a new foot and cycle river crossing in the east of the borough and writes to the Mayor of London asking him to reconsider his position on such a project.

16. SOUTHWARK SCHOOLS FOR THE FUTURE: BUILDING SCHOOLS FOR THE FUTURE (BSF) PHASE 3

RESOLVED:

1. That the submission of the Phase 3 Stage 0 submission to Partnerships for Schools be approved.

2. That the revised strategy for the Phase 3 investment including the separation of the Bredinghurst (behavioural, emotional and social difficulties) BESD School and the pupil referral units be noted.
3. That the reprogramming of Sacred Heart to Phase 2 and the delivery of this project as a joint private finance initiative (PFI) with St. Thomas the Apostle College be noted.
4. That the outline programme dates for the Phase 3 projects be noted.
5. That it be noted that a financial update report will be submitted for executive approval following financial close of Phase 2 in Autumn 2010.
6. That the proposed timings of Gateway 1 and Gateway 2 decision making through the development of the Phase 3 programme be approved.
7. That authority be delegated to the finance director to sign certificates under the Local Government (Contracts) Act 1997 which are required to be given to the LEP for Phases 2 and 3, and which certify that the local authority has the power to enter into these contracts (further details of which are given in paragraphs 42-43 of the report).

17. GATEWAY 2 - CONTRACTS AWARD APPROVAL - HOUSING MAJOR WORKS CONTRACTS

Consideration of this item was deferred to a meeting of the executive to be reconvened on Friday 26 March 2010 at 12.30pm.

18. ELEPHANT AND CASTLE REGENERATION AGREEMENT - UPDATE REPORT

RESOLVED:

1. That the significant progress made in connection with the Elephant and Castle Regeneration Project in that the principal commercial terms have now been agreed with Lend Lease subject to legal drafting be noted.
2. That officers be instructed to complete the negotiation of the Regeneration Agreement (RA) with Lend Lease (LL) in order that the finalised terms can be reported in June 2010 for consideration and approval.
3. That progress made in relation to negotiations with St Modwen be noted and officers report back in June 2010 on the outcome of those negotiations.

EXCLUSION OF PRESS AND PUBLIC

It was moved, seconded and

RESOLVED:

That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in category 3 of paragraph 10.4 of the Access to Information Procedure Rules of the Southwark Constitution.

The following is a summary of the decisions taken in the closed section of the meeting.

19. MINUTES

The closed minutes of the meetings held on 9 and 15 February 2010 were agreed correct records and signed by the chair.

20. SOUTHWARK SCHOOLS FOR THE FUTURE - BSF PHASE 3

The executive considered the closed information in respect of this item. The open decision is set out in item 16 above.

21. GATEWAY 2 - CONTRACTS AWARD APPROVAL - HOUSING MAJOR WORKS CONTRACTS

Consideration of this item was deferred (see item 17 above).

22. ELEPHANT AND CASTLE REGENERATION AGREEMENT - UPDATE REPORT

The executive considered the closed information relating to this item. See item 18 above for decision.

The meeting adjourned at 7.55pm and will reconvene on Friday 26 March 2010 at 12.30pm at 160 Tooley Street, London SE1 2TZ.

CHAIR:

DATED:

DEADLINE FOR NOTIFICATION OF CALL-IN UNDER SECTION 21 OF THE OVERVIEW AND SCRUTINY PROCEDURE RULES IS MIDNIGHT, WEDNESDAY 31 MARCH 2010.

WITH THE EXCEPTION OF ITEM 16 (WHICH IS BEING DEALT WITH BY WAY OF URGENT IMPLEMENTATION AND THEREFORE NOT SUBJECT TO CALL-IN) THE ABOVE DECISIONS WILL NOT BE IMPLEMENTABLE UNTIL AFTER THAT DATE. SHOULD A DECISION OF THE EXECUTIVE BE CALLED-IN FOR SCRUTINY, THEN THE RELEVANT DECISION WILL BE HELD IN ABEYANCE PENDING THE OUTCOME OF SCRUTINY CONSIDERATION.



EXECUTIVE (RECONVENED MEETING)

MINUTES of the OPEN section of the Executive held on Friday 26 March 2010 at 12.30 pm at 160 Tooley Street, London SE1 2TZ (reconvened from the meeting held on 23 March 2010)

PRESENT: Councillor Nick Stanton (Chair)
Councillor Kim Humphreys
Councillor Paul Kyriacou
Councillor Adele Morris
Councillor Paul Noblet

1. APOLOGIES

Apologies for absence were received from Councillors Linda Manchester, Tim McNally, David Noakes, Lisa Rajan and Lewis Robinson.

2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

There were no additional late items.

Open and closed addendum reports relating to the Gateway 2 – Contracts Award Approval – Housing Major Works item were circulated at the meeting.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were no disclosures of interests or dispensations.

4. DEPUTATION REQUEST - HOME OWNERS' COUNCIL

The chair agreed to accept the urgent request for a deputation from Home Owners' Council.

The deputation spokesperson, Mr John Nosworthy, Chair of Home Owners' Council expressed concern about the lack of consultation with home owners and felt that Home Owners' Council had not been given the opportunity to play a part in the process.

RESOLVED:

That the comments of the deputation be noted.

5. GATEWAY 2 - CONTRACTS AWARD APPROVAL - HOUSING MAJOR WORKS CONTRACTS

This item was considered in conjunction with an addendum report circulated at the meeting.

RESOLVED:

1. That approval be given for the award of contracts for major works for a period of five years in order to allow the major programme of repairs and improvements to the estates set out in paragraph 12 of the addendum report to commence.
2. That it be noted that the award of these contracts to allow the work on these estates is consistent with the Land Valuation Tribunal decision as all leaseholders on the estates listed in paragraph 12 of the addendum report have been fully consulted.
3. That the final award of the contracts be delegated to the strategic director of environment and housing.
4. That the legal advice which states there are good grounds to appeal the decision of the Leaseholders Valuation Tribunal be noted and the strategic director of communities, law & governance be instructed to lodge the appeal.
5. That it be noted that representatives from Home Owners' Council have been fully involved in the development of the contracts and the evaluation of the tender. In addition Home Owners' Council representatives will have an active role in contract management and giving feedback.
6. Executive confirms that both tenants and leaseholders will be fully consulted and involved in drawing up the programme of works for 2012 onwards and notes that while the Land Valuation Tribunal decision stands, no works under these contracts affecting leaseholders, other than the works set out in paragraph 12 of the addendum report will proceed.

EXCLUSION OF PRESS AND PUBLIC

It was moved, seconded and

RESOLVED:

That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in category 3 of paragraph 10.4 of the Access to Information Procedure Rules of the Southwark Constitution.

The following is a summary of the decisions taken in the closed section of the meeting.

6. GATEWAY 2 - CONTRACTS AWARD APPROVAL - HOUSING MAJOR WORKS CONTRACTS

The executive considered the closed information relating to the Gateway 2 – Contracts Award Approval – Housing Major Works Contracts. See item 5 above for decision.

The meeting ended at 1.25pm

CHAIR:

DATED:

DEADLINE FOR NOTIFICATION OF CALL-IN UNDER SECTION 21 OF THE OVERVIEW AND SCRUTINY PROCEDURE RULES IS MIDNIGHT, TUESDAY 6 APRIL 2010.

THE ABOVE DECISIONS WILL NOT BE IMPLEMENTABLE UNTIL AFTER THAT DATE. SHOULD A DECISION OF THE EXECUTIVE BE CALLED-IN FOR SCRUTINY, THEN THE RELEVANT DECISION WILL BE HELD IN ABEYANCE PENDING THE OUTCOME OF SCRUTINY CONSIDERATION.

Item No.	Classification: Open	Date: 15/06/2010	MEETING NAME Cabinet
Report title:		A Fairer Future for All in Southwark	
Ward(s) or groups affected:		All	
From:		Leader of the Council	

RECOMMENDATIONS

1. That Cabinet notes the mission and commitments of the new administration.

KEY ISSUES FOR CONSIDERATION

2. Southwark's strength is its people. With our immense diversity comes an array of amazing talents and vast depths of untapped potential. Too many of our people have not been able to access the employment and social opportunities that living in the heart of London should offer. This is unfair. Unlocking those talents and realising that potential, with nobody left behind, is what we are about as a council.
3. We all know that the immediate future is going to be very tough. Public sector spending is going to fall far and fast and the council's budget will not be protected. The money we have is held in trust for the local community and we will manage every penny as carefully as local families look after their own household budgets.
4. But we will not overcome the immense challenges we face by the council acting alone or by simply doing things as we have always done them before. We are ambitious for change. We will work together with residents, businesses and partners to transform public services for the people of Southwark. We will foster a culture of innovation and imagination that enables us to build a brighter future, whatever the challenges.
5. Our staff are more than just people who deliver services. Our residents are more than just customers. Between us, we have the knowledge, skills and creativity to solve the major problems we are facing together.
6. But this spirit of cooperation goes beyond just problem-solving. It is underpinned by empathy, openness and trust. This is not a borough where cultures clash, but where by coming together Southwark residents create a unique sense of community. We will reflect this as an organisation by showing residents true compassion and the same care and consideration that we show members of our own families.
7. This is what it means to be a cooperative council. This is how we will not only get through the immediate challenges that lie ahead, but grow stronger together in the long term.
8. It will not be easy and there will be some difficult times and choices ahead. But by working together, we can introduce free healthy school meals for all primary school children, make every council home warm, dry and safe and cut waste to

keep council tax low. And we will transform the borough for the better through regeneration projects which deliver for local people. Together we will build a fairer future for all in Southwark.

Children's Services

- Free healthy school meals for every primary school child
- Guarantee every child a place in a local primary
- Target help at the most disadvantaged groups to increase take up of childcare and early years services
- Give power over 20% of youth services budget to young people by 2014
- Set up a commission within 6 months including young people, community, faith, school and health representatives to reduce teenage pregnancy by 2014

Community Safety

- Listen to local communities and expand CCTV coverage in the areas it's needed
- Fight against police cuts in Southwark
- Enforce zero tolerance for low level crime like dog-fouling and improve the Anti-Social Behaviour telephone line
- Work with the community to deliver a violent crime strategy

Culture, Leisure, Sport and the Olympics

- In Rotherhithe, stop the spiralling cost of the library and make a plan for a new leisure facility with any money that's left
- In Peckham Rye, turn the plans for a One O'clock club and changing rooms and pitches for local sports teams into a reality

Environment, Transport and Recycling

- Double the recycling rate by simplifying the system to meet resident expectations and introduce recycling for a wider variety of materials like food waste and plastic bags
- Fight for the South London Line
- Fight for improvements to public transport including an extension to the Bakerloo Line, Cross River Tram and buses like the 343, 42, 188 and C10
- Review parking measures and make council car parks free in the evenings and weekends

- Maintain and build on improvements in bin collection and street cleanliness
- Introduce combined heat power for our heating systems and, by 2011, conduct a full green audit of the council
- Re-open two air quality stations
- Create a register of Tree Protection Orders and make it public
- Bring in cycle parking on estates and join the Green Chain Walk
- Value the green spaces that we have and make new temporary green spaces on vacant land
- Continue to support 20mph zones across the borough without using road humps and improve road surfaces by allowing residents to prioritise the worst roads in their area

Equalities and Community Engagement

- Help people to be good neighbours by supporting a network of community volunteer champions
- Open up the budget making process for public scrutiny so we make better decisions

Finance and Resources

- Keep Council Tax increases at inflation by improving tax collection rates and cutting waste
- Cut special allowances for select councillors by £70,403
- Not give bonuses for poor performance and publish and justify any bonuses
- Cut consultants and temporary staff by 25% and create permanent jobs

Health and Adult Social Care

- Push down the price of Meals on Wheels by 50%
- Work with the voluntary sector to write a new charter of rights, so that you know what help you and your neighbours are entitled to
- Create a new dedicated telephone line for all queries about help for older and vulnerable people staffed by people who know about social care

Housing

- Make every council home a decent home by making them warm, dry, and safe
- Bring every Fire Risk Assessment up-to-date and make the register of when they were last done a public document
- Create a new professional housing department
- Continue to lobby for the retention of council housing
- Keep our commitment to building new council housing
- Restore the direct link to housing officers and crack down on contractors who don't turn up
- Work with leaseholders to write a new leaseholder compact on fair charging
- Set a new target of repairing security doors in council flats and on estates within 24 hours of a fault being reported and publish our performance annually

Regeneration and Corporate Strategy

- Make regeneration work for the community
- In Bermondsey, rejuvenate The Blue and fight for a station at Surrey Canal Road to serve The Den
- In Camberwell, implement plans for a new town centre with safer traffic
- In East Dulwich, tidy up shopping arcades and parades and find ways of improving road safety by cracking down on rat-running
- In Elephant and Castle, stand up to the developers and put leisure facilities and demolishing the shopping centre back in the plan
- In Peckham, dedicate a council team to decide the next steps for Peckham with the community
- In Walworth, drive forward the regeneration of the Aylesbury Estate
- Resurface East Street

Lead Officer	Graeme Gordon, Head of Corporate Strategy	
Report Author	Cllr Peter John, Leader of the Council	
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Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
<i>Officer Title</i>	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	No	No
Finance Director	No	No
List other officers here		
Cabinet Member	Yes	Yes
Date final report sent to Constitutional/Community Council/Scrutiny Team	4 June 2010	

Item No.	Classification Open	Date: 15 June 2010	Meeting Name: Cabinet
Report title:		Housing Revenue Account Reform – ‘Council Housing: A Real Future’ Consultation Paper	
Ward(s) or groups affected:		All	
From:		Finance Director	

RECOMMENDATIONS

1. That the Finance Director be instructed to respond to the consultation paper in the terms employed within this report, and with particular reference to the areas of concern highlighted.

BACKGROUND

2. The previous Government was of the view that the Housing Revenue Account Subsidy system was “*not fit for purpose*” (John Healey MP, then Minister for Housing and Planning). On 10 March 2008 his predecessor as Minister (Caroline Flint MP) and her Treasury counterpart (Yvette Cooper MP) jointly launched a review process to examine all aspects of the Housing Revenue Account (HRA) Subsidy system, and the means by which local authorities with retained or arms-length stock account for their landlord-related services.
3. The initial review concentrated on establishing a number of connected workstreams covering most aspects of the HRA, and gathering evidence from a variety of stakeholders for each. This resulted in a second consultation exercise following the publication in July 2009 of ‘*Reform of Council Housing Finance*’. Southwark’s detailed response to this is attached to this report as Appendix B.
4. A timeline of the development of the proposals forms Appendix C.
5. The latest proposals are structured such that the proposed Offer is outlined, followed by consideration of the likely frameworks of operation post-Settlement, and finally some of the practical issues around implementation of the offer proposals.
6. At the time of writing, it is not known what the new coalition Government’s attitude to the proposals as published is, beyond the commitment given in ‘*The Coalition: Our Programme for Government*’: “*We will...review the unfair Housing Revenue Account*”.

THE SETTLEMENT OFFER

7. On 25 March 2010, the day after the first 2010 Budget, the Department for Communities and Local Government (CLG) published more detailed proposals for reform under the heading '**Council Housing: A Real Future**'. The proposals and further consultation questions are set out in a '**Prospectus**', whilst supporting documents published simultaneously include an assessment of responses to the Reform Paper, a spreadsheet-based financial model developed by PricewaterhouseCoopers for CLG (together with a report and supporting notes) and an impact assessment of the Prospectus.
8. In this Cabinet report, any references to '**HRA Review**' relate to the original workstream specification and evidence-gathering exercise undertaken by CLG between December 2007 and October 2008; '**the Reform Paper**' refers to the consultation document '**Reform of Council Housing Finance**' and supporting papers issued by CLG in July 2009; whilst '**the Offer**', '**the Prospectus**' or '**the proposed Settlement**' relate to the current proposals as set out in '**Council Housing: A Real Future**'.
9. Whilst not as comprehensive as might have been hoped – for instance issues around Decent Homes backlogs are explicitly excluded, as is any full consideration of the national rent restructuring policy – the Prospectus does contain significant advances in terms of developing the "*self-financing*" model of local authority housing provision, and for the first time allows individual authorities access to a potential model of what a self-financed future might look like, in the financial and business planning sense.
10. Some other issues raised during the course of the review and reform process are also revisited within the Prospectus, such as the definition and operation of the "*ring-fence*", capital receipts retention by local government and leaseholder sinking funds, and these are considered in the context of Southwark's detailed response in the various sections below.
11. The rest of this report is ordered broadly to match the ordering of issues raised within the Prospectus for convenience, which may not necessarily dovetail with the ordering of the Reform Paper (or indeed the original allocation of workstreams).
12. The specific consultation questions contained within the Prospectus are reproduced as Appendix D.
13. In order to try and seek clarification from CLG on a number of issues identified by officers early on in the process of evaluating the offer, a 'pre-response' was submitted to CLG in May 2010. If a reply is received before the Cabinet meeting, this will be reported verbally. Whilst not necessarily "*deal-breakers*", the areas highlighted within the 'Pre-Response' give an indication of those items which Southwark might identify as barriers to outright endorsement of the Offer in its current form. The 'Pre-Response' is attached as Appendix E.

14. The main element of the Offer is replacement of annual housing subsidy transfers between authorities and Government with a once-only adjustment to authorities' HRA debt. The adjustment is designed to leave a level of 'affordable' debt based on the Offer elements, which are explored further below.

THE OFFER – INCOME

15. Instead of reliance on the complex calculations behind housing subsidy, the self-financing model assumes that councils will retain all their rental income; in Southwark the rent debit for 2010/11 has been budgeted at £156.7m.
16. Under the policy of rent restructuring, the Government has – by means of incentives and penalties built into the subsidy calculation – ensured that the overwhelming majority of local housing authorities are moving towards the setting of local rents according to a national formula. Since this would for the most part, involve significant increases in average rents above inflation, this has been both phased and subject to annual affordability limits in rent increases. Originally, the transitional period was set at ten years (2002/03 – 2011/12), but increasingly the Government has intervened to control the national level of average rent increase by both setting overall caps on increases and shifting the date by which actual rents are assumed to 'converge' with fully formula-derived rents. This convergence date has shifted from 2011/12 to 2016/17, then to 2023/24, and last year was brought back to 2012/13. The Prospectus assumes a final five-year convergence period, i.e. from 2011/12 – 2015/16. It should be noted that this is only an assumption for the purposes of the modelling exercise, and is by no means guaranteed.
17. There are particular concerns with this approach for Southwark. As the borough has had historically low average actual rents, it is extremely unlikely that average rents will converge by the Government's assumed date of 2015/16, leaving the borough (and similar local authorities) with a significant revenue gap from the commencement of self-financing. In 2010/11, key average rents for Southwark are set out in the table below – 'guideline' rent is the Government's assumed rent level for the calculation of housing subsidy for that year:

Actual Average Rent 2010/11	£80.60
Guideline Average Rent 2010/11	£83.98
Formula Average Rent 2010/11	£91.00
Percentage Gap Actual to Guideline	4.02%
Percentage Gap Actual to Formula	11.43%

18. In order to achieve convergence, therefore, average rents in Southwark would need to rise by 11.43% above inflation over the next six years, without being subject to any affordability limits. The gap between guideline and formula rents for Southwark at 7.71% is marginally above the national average quoted in the Prospectus of 7.5%, which CLG acknowledges "**would require real annual increases of 2.2% in 2011 and 2.1% in each of the following four years**" (Prospectus 2.6).

19. The Government has accepted in the past that there is a cost to local authorities of adhering to affordability limits, and has refunded the difference between guideline rent and an adjusted guideline figure one year in arrears; there is a commitment in the Prospectus that this will continue. It should be noted that the PWC model is designed to capture data on an authority-wide basis, whereas data on individual rents within boroughs will need to be used to determine actual outcomes. There is a limit on annual rent increases of RPI plus 0.5% plus £2.00 per week, and a cap on formula rent increases according to number of bedrooms per property. However, there is also an indication that the TSA will be empowered to enforce national rent policy (presumably including affordability limits) (Prospectus 2.9), which is likely to push convergence for Southwark into the medium-term, and most certainly well beyond 2015/16.
20. In our response to the Reform Paper, we argued:
- “We have a long way to go to reach target rents and also several redevelopment schemes creating rent losses, so rent income may not be at the expected level. We also have a high consolidated rate of interest so each £1m of debt is more costly and less affordable for us than other authorities.***
- The Reform Paper notes that future rent policy is under review. The temporary changes in convergence dates announced in 2008 appeared to be HM Treasury-led and created confusion, not least because of the problematic timing of their announcement. However, whatever the convergence date, Southwark will have a significant minority of properties restrained by caps and limits for the foreseeable future.”*** (L.B. Southwark – Response to the Reform Paper)
21. Disappointingly, the Prospectus gives little comfort in this regard, and so we have included this matter within the ‘Pre-Response’ submission to CLG for further clarification.
22. Southwark also has four tenant service charges, covering estate cleaning, grounds maintenance, communal lighting and maintenance of door entry schemes. In 2010/11, this is budgeted to raise £12.0m. These charges were ‘unpooled’ from base rents in 2003/04, and do not now form part of the subsidy calculations – hence, they are also excluded from the self-financing modelling process. The Government has included restrictions on annual tenant service charge increases in the past, and the Prospectus anticipates that the Tenant Services Authority will continue to monitor this after self-financing is implemented.

<p>Summary: the proposal to retain all rental income locally is fundamental to the concept of self-financing, but the inherent funding loss within the rent restructuring policy has not been addressed, and is likely to have a detrimental effect on Southwark. We are seeking further clarification on this issue.</p>
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THE OFFER – SPENDING NEEDS

23. The Reform Paper included supporting research by the Buildings Research Establishment and the Housing Quality Network on allowances within the subsidy system and other backlogs, principally regarding major repairs, but also encompassing the Decent Homes Standard. Some substantial percentage uplifts were identified as a consequence (Management & Maintenance Allowances +5%; Major Repairs Allowance +24%), and Southwark, in common with other respondees sought to amplify these uplifts to more properly represent the reality of their situation regarding backlogs (uplifts of 10% and 43% respectively) – see Appendix B for details. Since the publication of the initial research, the average uplifts assumed within the Reform Paper have now moved to 8% and 28% respectively. The current stage of consultation, however continues to exclude the backlog position from consideration, and models individual local authority self-financing from the starting point of the Reform Paper uplifts.
24. This is of concern to Southwark, for two principal reasons. Firstly, exclusion of backlogs produces a situation far removed from the reality of Southwark’s likely investment and spending needs in the short-term. This makes meaningful business planning more problematic. Secondly, the translation of average into likely uplifts as envisaged by the self-financing model as supplied alongside the Prospectus produces radically different results – the Southwark-specific uplifts are as noted in the table below. The weighting of the uplift across authorities reflects the high management and maintenance cost of our stock, but the major repairs uplift mainly benefits area with large numbers of houses as opposed to flats.

	Management & Maintenance Allowances	Major Repairs Allowance
Reform Paper Average (amended)	8.0%	28.0%
Southwark’s own assessment	10.0%	43.0%
Prospectus model for Southwark	11.6%	10.9%

Note: Southwark’s own assessment relates to comparability with RSL levels of management & maintenance and BRE needs assessments, including backlogs

25. Taking the Allowance figures utilised within the final HRA Subsidy Determination for 2010/11 as a base, these uplifts would extrapolate to:

	Management & Maintenance Allowances	Major Repairs Allowance	Total
Determination 2010/11	£102.97m	£37.57m	£140.54m
Reform Paper Average	£111.21m	£48.09m	£159.30m
Southwark’s own assessment	£113.27m	£53.73m	£167.00m
Prospectus model	£114.92m	£41.67m	£156.59m
Shortfall (negative figure)	£1.65m	(£12.06m)	(£10.41m)

26. The self-assessment model as it stands produces a slightly worse outcome than the average posited by the Reform Paper of £2.71m (£156.59m down from £159.30m), it is below the figures that we would have wanted to properly address the underfunding that the allowance levels have engineered over the last few years.

Summary: the uplifts in allowances assumed by the self-financing model are inadequate in terms of providing the levels of funding required to address backlogs in major repairs and will lead to pressures on the viability of the self-financing business plan for the borough's housing stock.

THE OFFER – DECENT HOMES

27. There is an important commitment within the Prospectus regarding Decent Homes:

“The Government is totally committed to completing the Decent Homes programme and recognises that £3.2bn of works are still needed to meet its Decent Homes commitment. Meeting this investment need will therefore be a central element of its deliberations on investment priorities at the next Spending Review.” (Prospectus 2.36)

28. Whilst welcome as a restatement of the policy objective, it is troubling that self-financing is treated in isolation from this, as a very substantial element of Southwark's (and others) 30-year business plans will need to be built around addressing this backlog and the knock-on effect of managing other investment as a consequence.
29. The Prospectus is opaque as to the mechanisms by which non-ALMO authorities (such as Southwark) may access further Decent Homes monies, and we would need clarification as to this as a matter of some urgency before the Offer could be wholeheartedly accepted. This therefore forms a key part of the 'Pre-Response'.

Summary: whilst the policy commitment is welcome, the expectation that business plans can be constructed and evaluated without reference to backlogs in Decent Homes works is impractical and difficult to reconcile with the actual scenario facing Southwark. The interests of stock-retaining authorities do not appear to be adequately represented within the Prospectus as it is currently laid out, and we have alerted CLG to our concerns on this.

THE OFFER – CAPITAL RECEIPTS

30. The Prospectus proposes an end to the pooling of right-to-buy capital receipts in order to assist local government in the creation of an asset management strategy covering both revenue and capital aspects. However, the arrangement under self-financing would not be entirely liberated, as there would be a requirement to certify that 75% of receipts had been or were committed to being applied for affordable housing or regeneration purposes. It is also likely that the national pot for capital grants would be reduced as a consequence (see below).

31. The value of right-to-buy receipts has declined precipitously in recent years across the local government sector, and this new freedom should be viewed in that context. Also, the loss of rent income following sale of properties may mean that we have to use part of the capital receipts to repay debt.

Summary: more freedom to manage assets effectively and efficiently is to be applauded, but the quantum effect of this change is currently much less than in the previous decade.

THE OFFER – DEBT ALLOCATION

32. In many ways debt allocation is the key of the proposed Settlement, and has certainly been its 'headline-grabbing' aspect. Southwark's Housing Subsidy Capital Financing Requirement (SCFR) figure as used in the Final Subsidy Determination for 2010/11 is £768.8m. This debt is supported, i.e. the annual debt charges are funded under the subsidy system. The historic build-up of this debt reflects past annual Government supported borrowing approvals, which were its main provision of local authority HRA capital funding for many years. Extensive and on-going regeneration of housing stock has meant that the direct link between the historic debt and the current stock in Southwark in many cases no longer exists. The cost of servicing this debt is budgeted in 2010/11 at £86.4m (including depreciation). Such high debt levels, and their separation from the original base is by no means exclusive to Southwark, in fact the majority of inner city housing authorities have very substantial historic debt commitments, as the table of the top ten boroughs in this regard shows:

Borough	Stock	SCFR
Sheffield	42,132	£879.8m
Hackney	22,815	£851.0m
Islington	25,967	£846.7m
Southwark	39,827	£768.8m
Newham	18,528	£758.2m
Birmingham	65,119	£682.5m
Newcastle-upon-Tyne	29,519	£645.5m
Lambeth	26,489	£573.7m
Camden	24,085	£542.8m
Haringey	16,336	£552.6m

Source: HRAS Final Determination 2010/11 (CLG)

33. In the self-financing model, these SCFR's have been extrapolated to 31 March 2011 figures, so as to be able to compare with the possible commencement date for self-financing on the following day. The model as employed by CLG takes these likely debt figures and compares them with the net present value of likely income streams available over the next thirty years to arrive at a debt adjustment position to be covered as part of the proposed Settlement. For Southwark, this is summarised in the table below:

Determination SCFR 2010/11		£768.8m
Projected SCFR 2011/12		£775.1m
NPV – Rental Income	£2,737.7m	
NPV – Management & Maintenance Allowance	(£1,647.1m)	
NPV – Major Repairs Allowance	(£599.3m)	
NPV – ALMO Allowance	£0.0m	
NPV – PFI Allowance	£0.0m	
NPV – Other Recognised Expenditure	£0.0m	
NPV Total Self-Financed Debt		£491.3m
Change in Debt		(£283.8m)

Source: Modelling Business Plans (CLG/PWC)

Note: Net present value is the equivalent in today's money of the income streams spread over the thirty years of the business plan – the intention is to calculate how much borrowing could be supported by this income alone i.e. be self-financed

34. It should be noted that the figures in the above table relate to supported debt and that we have used capital receipts prior to 2004 to reduce actual debt by £124m to £651m as at 2011/12. In the '**Framework**' section below, both the historic debt figures used by CLG in their model, and the actual figures cited here are used to demonstrate that both the 'headroom' and commutation amounts are identical, no matter which base is employed.
35. Any PFI Allowance related to the later phases of the Aylesbury regeneration would, if agreed prior to Settlement, have a very direct impact on the table above (£181m has been approved to go forward for Outline Business Case submission to CLG later this year). If the scheme (as is likely, given the very short lead-in time proposed for the Settlement) is signed post-Settlement, then the Prospectus notes:

“No costs relating to these schemes would be included in the self-financing model. The Department will pay PFI subsidy for these schemes alongside General Fund PFI subsidy. The PFI subsidy would be calculated using the same formula as is currently used. The amount that is paid would then be reduced to take account of MRA that has been included in the self-financing settlement in respect of properties covered by the PFI scheme. The annual amount will be fixed at the time the PFI contract is signed” (Prospectus 2.29)

36. In one or two instances nationally, the effect of the PFI Allowance within the PWC model moves some authorities into a negative self-financed debt position, and since it is not clear how this would work in practice, this aspect of the model may be re-examined by CLG.

37. The singular effect of the Aylesbury PFI in the context of the Offer proposals is such that we need additional detail from CLG as to how its effects might be mitigated, both in terms of factoring into debt levels as part of the proposed Settlement itself; and also in terms of the underlying effects of high stock number volatility caused by such significant regeneration activity in the immediate years post-Settlement. Both these elements are reflected in the 'Pre-Response'.
38. As noted elsewhere in this report (the '**Unpooling Debt**' section below), the Government is minded to try and separate out HRA and GF debt as part of the Settlement Offer, whereas the arrangement under housing subsidy is that revenue costs of capital financing fall initially to the General Fund and are allocated to the HRA via the Item 8 Determination each year. Under the existing regime, Southwark is in positive subsidy, although this is declining and will fall out completely by 2020/21.
39. One of the key issues for Southwark is the mechanism employed to commute debt. As it stands, the proposals are vague, but appear to suggest a "top-slice" approach as there is precedent in terms of the CLG approach to Large-Scale Voluntary Transfers of stock, and the debt associated therewith.
40. The relationship between the HRA and the General Fund in terms of debt is extremely complex. The council has engaged external advisers to assist with the treasury management implications for Southwark of the model designed by PricewaterhouseCoopers for the Prospectus. However, no definitive conclusions can be drawn at this point as there is insufficient detail in terms of the debt commutation proposals to be able to model debt restructuring scenarios. Within their report the external advisers have also expressed some concerns regarding the treatment of debt premia and discounts, which appear to be dealt with separately and outside the self-financing Offer made to local authorities. For CLG, the cost of premia nationally is likely to be significant and a key consideration.
41. The 'Pre-Response' draws the issue of the high level of Southwark's CRI to CLG's attention, and seeks to explore the possibility of a more targeted commutation of current debt such that the CRI figure is reduced at the Settlement date. N.B. the 'Pre-Response' seeks to explore debt issues primarily from an HRA perspective, but the implications for the General Fund are equally critical and need to be re-assessed in the context of any specific amendments.

Summary: The Prospectus models a significant commutation of Southwark's debt in order to facilitate self-financing. There is merit from a HRA perspective in seeking to re-profile Southwark's debt prior to the Settlement taking place, but the consequences for the General Fund also need to be assessed. The council has highlighted this disadvantage for its HRA in the 'Pre-Response', and also sought clarification as to the status of the Aylesbury PFI process.

THE OFFER – A HOUSING BALANCE SHEET

42. Recent changes to the '*Statement of Recommended Practice on Local Government Accounts*' (SORP), which provides the template for local authority final accounts as published split the HRA into two separate statements – the Income and Expenditure Statement and a Statement of Movement in Balances. The Prospectus includes the notion that formal reporting of a Housing Balance Sheet as a separate entity from the council's consolidated Balance Sheet (which reflects both General Fund and HRA ring-fenced activity) be considered. This is principally to reflect the need to identify future HRA and non-HRA debt separately is an integral part of the debt allocation proposals (noted in the relevant section above).
43. Paragraph 3.5 of the Prospectus envisages the housing balance sheet as a subsidiary to the requirements to publish the council's consolidated balance sheet, rather than a replacement for it, and looks to the Chartered Institute of Public Finance and Accountancy (the authors of the SORP) and the Tenant Services Authority to develop this proposal further.

Summary: the proposal to require the publication of a separate housing balance sheet is as yet untested, and would require further professional development and commentary before its usefulness could be assessed.

THE FRAMEWORK – UNPOOLING DEBT AND DEBT FINANCING

44. Having set out the proposed Settlement, the Prospectus goes on to consider the financial, accounting and regulatory framework under which self-financing authorities would operate, beginning with arrangements for unpooling and financing debt.
45. Whilst currently HRA and General Fund debt is combined within individual debt portfolios, CLG wishes to see a clearer separation in future, whilst acknowledging that disaggregation of the current position might not be possible. For authorities taking on new debt, the way forward is relatively straightforward in this regard. However, for Southwark (and others) where debt is being written down, it is less clear.
46. Two options are considered; firstly that old debt be allocated between the HRA and the GF, though there is little consideration of the mechanisms that might allow this. Secondly, CLG may consider freezing the consolidated rate of interest on pooled debt as at 1 April 2011 (or any other day of commencement for self-financing) with a view to allowing the General Fund to appropriate both the risks and benefits of future movements until such a time as all the pooled debt had been written out of the authority's accounts.
47. There are merits to separation, mainly that future Prudential borrowing by either the HRA or the GF would not affect the debt charge costs of the other party.

48. In terms of repayment, prior to 2004 HRA debt was required to be repaid at 2% p.a. plus 75% of right-to-buy receipts but since then there has been no repayment requirement. MRA was originally envisaged as a proxy for depreciation in terms of an authority's housing stock, and the way forward in a post-MRA world needs to be considered. The Prospectus rejects the need for a proscriptive approach to debt repayment (as previously embodied by the Minimum Revenue Provision) on flexibility grounds, preferring to encourage authorities to "**develop a bottom-up understanding of their housing stock...to satisfy itself that its approach to depreciation and debt repayment meets the requirements of the Accounting Code**" (Prospectus 3.20). This would have the added benefit of (presumably) mitigating any tendency for backlogs in capital works to recur in the future.
49. On balance, the Government is minded to favour full separation of debt and leaves the door open to further analysis from interested professional and regulatory partners.
50. As noted elsewhere in this report ('**Debt Allocation**' above), both the size and historical nature of Southwark's SFCR mitigate against meaningful identification even prior to separation, and there is potential for uncertainty, particularly with respect to the effect on the council's General Fund.

Summary: The consultation document considers the technical background to the allocation of debt, but as yet is not in a position to give definitive guidance as to how this might be achieved to a professional standard.

THE FRAMEWORK – BORROWING

51. The Government is not prepared to allow self-financing to progress to what might be thought of as a logical conclusion by allowing authorities unfettered access to borrowing. Whilst there is recognition of the success in the last few years of self-regulation under the Prudential borrowing code, and also that the tying-up of monies due to the national rents policy and the virtual extension of the ring-fence to HRA borrowing via capital receipts will also act as curbs; there will be additional caps on borrowing (at the SCFR Offer debt adjustment level) under self-financing, such as the application of a higher discount date than previously indicated allowing for a degree of headroom in terms of the opening debt position.
52. The Government are mindful of the national position in this regard, and despite lobbying over a number of years, HRA debt remains within the reckoning of national public debt, rather than being held outside, as in other European economies. There are other justifications within the Prospectus for this position.

53. However, there are some positive aspects to the cap position. In instances where a local authority has a greater notional Capital Financing Requirement assumed under the subsidy system than the actual figure, this will automatically generate a degree of headroom within the cap established. This is the case for Southwark; as the table below illustrates:

	Notional	Actual	Headroom
Projected 2011/12 Subsidy CFR	£775.1m	£651.4m	(£123.7m)
Estimated 2011/12 Post-Settlement CFR	£491.3m	£367.6m	(£123.7m)
Proposed Debt Commutation	(£283.8m)	(£283.8m)	

Note: The difference between 'Notional' and 'Actual' was explored in the 'Debt Allocation' Section above.

54. If the Discount Rate employed is changed to 7.0% to reflect the central policy objective of funding new-build, the headroom generated increases by a further £23m. Authorities in the reverse situation (actual CFR is greater than notional CFR) have been advised to consult CLG directly.
55. Even with the previously noted incongruity between the proposals on borrowing and the current Prudential borrowing system, it is likely that the same considerations that have mitigated against borrowing as a funding solution in the past, i.e. a lack of spare revenue to meet debt charges, will continue to apply in the early years post-Settlement.

Summary: Given the potential impact of other changes under self-financing, the imposition of borrowing controls appears to be an unnecessary restriction, which is incongruous with the overarching policy objective. The ability of Southwark to manoeuvre within the headroom generated by the borrowing cap is noted, but remains an uncertain means of financing social housing works.

THE FRAMEWORK – THE HRA RING-FENCE

56. The Reform Paper asked questions around the relationship between the HRA and the General Fund, which was particularly relevant given that central guidance had not been updated since 1995 by the then Department of the Environment. The council's response supported the notion of the ring-fence around the HRA, noting that '*DoE Circular 8/95*' had been issued fifteen years ago, and that the provision of social housing services had developed considerably since then, not least in terms of anti-social behaviour, and called upon CLG to issue revised guidance were any to have been formulated.
57. The Reform Paper sought to split housing services into either 'core' (HRA) or 'non-core' (GF) services, but encountered problems with this, which it endeavoured to solve by the creation of a new concept it described as 'core plus' – defined as "*a range of services where there is now a general expectation that landlords will provide a service, for example on anti-social behaviour and tenancy sustainment*" (Reform Paper 3.22).

58. Annex D of the Prospectus contains a draft replacement for '**DoE Circular 8/95**', and since the concept of 'core', 'core plus' and 'non-core' services is refined by the inclusion of a definitional list under each heading, this is to be welcomed. However, the main thrust of our concern remains, namely that there seems to be no real reason why this advice could not already have been issued.
59. Where any ambiguity remains in terms of a particular service wider than the HRA (i.e. it is provided to a client group not just comprising tenants and leaseholders), CLG has consistently intended to apply the "**Who benefits?**" criterion and suggests that local agreements cover the allocation of any such service between the HRA and the General Fund. This is broadly in line with current recharging policy but gives us the opportunity for periodic review and a requirement for service providers to provide usage information.

Summary: We welcome further certainty around the HRA ring-fence, and renew our call for Annex D to be formally issued as guidance for local authorities in this regard.

THE FRAMEWORK – RISK AND PERFORMANCE MANAGEMENT

60. In tandem with developments elsewhere in the social housing sector, the Prospectus anticipates the greater role of the Tenants Services Authority in regulation terms; however the TSA's relationship with the regional Government Offices and the Audit Commission and the need to avoid duplication is acknowledged.
61. The assertion by CLG that "**Local leadership must set and finance the right long-term council housing policies**" is particularly welcome (Prospectus, 3.63).

Summary: It is important to avoid duplication in regulatory regimes, and the council wishes to see more definition as to the requirements of the competing stakeholders in this regard.

THE FRAMEWORK – FULL AND FINAL?

62. The Minister has described the process of which the Prospectus forms the most recent part as a "**once and for all settlement**" with local housing authorities (Prospectus, Foreword). However, it should be noted that within the text, the government appears to reserve the right to intervene in the future should their policy objectives not be met. Whilst accepting that the expectation is for "**self-financing local authority landlords to plan for and manage...normal business risks without recourse to Government**", nonetheless "**if there were major policy changes then [the Government] would consider the consequences for council landlords and deal with these**". (Prospectus 3.68)

Summary: Whilst the intentions of the Government to replace the housing subsidy system "once and for all" are laudable, it is unsurprising that they wish to hold reserve powers to cover future eventualities.

THE FRAMEWORK – LEASEHOLDERS SINKING FUNDS

63. The Government were keen as part of the reform process to be seen to respond to widespread concern from leaseholders regarding the affordability of revenue service charges and major works to housing stock. With this in mind, the Reform Paper proposed the extension of sinking fund arrangements to cover leaseholder-related services, and even making their application mandatory. Southwark objected to this course of action for a number of reasons, not least of which was the practical obstacles in the way, and the likelihood of sinking fund contributions perversely contributing to the very problem of affordability that they had been set up to solve.
64. The council made detailed reference to this in its previous response, including: “***Through the use of the Sustainable Communities Act 2008 Southwark has proposed an alternative to sinking funds for local authority leaseholders; individual incentivised savings plans.***” (L.B. Southwark – Response to the Reform Paper).
65. In the Prospectus, the bulk of our concerns are acknowledged, and it appears likely that sinking funds will remain an optional course of action for local authorities to consider (Prospectus 3.75).

Summary: We welcome the decision not to make the operation of leaseholder sinking funds mandatory, and continue to emphasise the imaginative use of alternatives to address the legitimate concerns of stakeholders regarding affordability.

IMPLEMENTATION

66. As might be expected for the third round of consultation, the Prospectus is focused towards implementation of the proposals, and several aspects of the consultation questions therein seek to gather information as to landlords preparedness.
67. Amongst these is a request for an indication as to how the council can contribute to the policy objective regarding new-build properties. As the Prospectus’ model indicates a more generous application of discount rates in order to facilitate this, the nature of our response requires careful consideration. Since the council is committed to the Aylesbury regeneration being further driven by means of a Private Finance Initiative (PFI) credit, our response must reflect this priority, and seek to convince the Government that while the terms of the Prospectus assist us in meeting this objective, it is wholly consistent with new-build policy being pursued elsewhere.

68. Another question asks about the preparedness of the council in terms of “early” implementation. Capacity-building will be an issue across the sector, particularly in terms of the resources available to individual authorities to pursue this agenda. Southwark, as a member of the Association of Retained Council Housing Authorities (ARCH), and via London Councils has access to detailed analysis and consideration of the terms of the offer, and has engaged the consulting arm of the Chartered Institute of Housing (CIH) to consider our internal assessment of the model. They have also advised officers regarding the content and context of the ‘Pre-Response’ submitted to CLG. As noted elsewhere in this report, external advisers have also reported on the treasury management aspects of the proposed Settlement across the HRA and General Fund for the council.
69. Section 313 of the ***Housing and Regeneration Act 2008*** gives local authorities the power to voluntarily leave the subsidy system, and this is the mechanism by which the Government anticipates early (April 2011) implementation will be achieved. It remains unclear what would happen in the short-term to those unwilling or unable to take this step.
70. Given the lack of clarity around the immediate future, it would normally be the case that officers would be advising caution before such a significant commitment, even in principle. This is still true. However, there is something of a sense of “*the only game in town*” about the degree to which the Offer has been developed, and it is very likely that any compulsory scheme in 2012 or onward would be on a less favourable financial basis. Despite reservations about the short-term impact on revenue, and whilst requiring further clarity on rents, debt redemption and borrowing policies, the council must consider whether Southwark risks missing a golden opportunity to establish the financial basis of its social housing provision on a much more secure footing than the current arrangements.

Summary: We require considerably more clarity around certain aspects of the Settlement, but must weigh carefully the opportunities and risks associated with either notional acceptance or rejection of the Offer as it stands. The ‘Pre-Response’ has been designed to assist in this process.

CONCLUSION

71. In the broadest sense, the changes proposed within the Prospectus should be welcomed as a means of establishing further financial freedoms for local authorities as social housing providers.
72. Financial projections indicate that the self-financing proposals would be increasingly beneficial in revenue terms from around 4 – 5 years after the 2011 implementation date. Prior to that we have significant concerns over income levels and the high interest rate on debt. We have requested mitigating treatment in our ‘Pre-Response’ letter, and this will also be reflected in the final response.

73. If the proposals are assessed in the context of what remains for those authorities who do not voluntarily accept the Offer – it seems likely that either a rump (and rapidly diminishing) subsidy system would fail to meet Southwark's resourcing needs over time in comparison with what would **eventually** be the case under a self-financed thirty-year HRA business plan, or a degree of compulsion would be introduced at a later stage by the Government, which would very probably be at much less favourable terms than those outlined in the Prospectus.
74. Given the above, and conditional on some greater clarity being provided by the Department of Communities and Local Government on certain aspects of the Offer, officers are minded to recommend acceptance within the formal response.

CONSULTATION

75. In keeping with normal consultation procedures on HRA finance matters, this report has been provided in draft form to meetings of Tenant Council (on 7 June 2010), and Home Owner Council (9 June 2010). Any decisions and/or recommendations of those two bodies will be made known to Cabinet.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Comments of the Strategic Director of Communities, Law and Governance

76. Save for the provisions of Section 313 of the ***Housing and Regeneration Act 2008*** referred to at paragraph 69 above, there are no specific legal implications to this report. It should be noted that following the Government's consultation, if all councils do not sign up to the national Settlement it is likely that the new system will require primary legislation to give effect to it.

Comments of the Finance Director

77. The potential financial implications arising from the proposed changes to the financing of Housing services are covered within this report.

Background Papers	Held At	Contact
' <i>Reform of Council Housing Finance</i> ' – CLG consultation documents	160 Tooley Street	Shaun Regan x57771
HRA Reform Paper – Response from LB Southwark	As above	As above
Debt analysis and strategy options under potential Housing Revenue Account self-financing – Sector	As above	Dennis Callaghan x54375

APPENDICES

No.	Title
Appendix A	Audit Trail
Appendix B	HRA Reform Paper Response
Appendix C	Timeline of consultation process
Appendix D	Consultation Questions within ' <i>Council Housing: A Real Future</i> '
Appendix E	Pre-Response' to Department of Communities and Local Government (May 2010)

APPENDIX A – AUDIT TRAIL

Lead Officer	Duncan Whitfield – Finance Director	
Report Author	Ian Young – Head of Housing Finance	
Version	7 (final)	
Dated	3 June 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS/DIRECTORATES/ CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law and Governance	Yes	Yes
Finance Director	n/a	n/a
Date final report sent to Constitutional Support Services		3 June 2010

APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)



Financial Management Services
Direct Line – 020 7525 7771
Officer Dealing – Shaun Regan

Rt. Hon. John Denham MP
Secretary of State for Communities
& Local Government
Zone 1/J9
Eland House
Bressenden Place
London SW1E 5DU

27th October 2009

By e-mail to: councilhousingfinance@communities.gsi.gov.uk

Dear Secretary of State,

REFORM OF COUNCIL HOUSING FINANCE – CONSULTATION REPOSE

Please find below the London Borough of Southwark's response to the above consultation paper. We have made some general points initially, but have then sought to address the specific questions posed by the Department within the Reform Paper.

Thank you for the opportunity to contribute to this process, which John Healey MP, the Minister for Housing and Planning was recently quoted in '**Public Finance**' as saying represented "...the opportunity now to ditch the HRA [subsidy system] and to put in place a new long-term system. We can either seize this chance or spend the next few years reflecting on what otherwise will be a missed opportunity."

Yours sincerely,

Duncan Whitfield CPFA
Finance Director
London Borough of Southwark

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Switchboard – 020 7525 5000 **Website** – www.southwark.gov.uk
Finance Director – Duncan Whitfield CPFA

APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)

'REFORM OF COUNCIL HOUSING FINANCE'

RESPONSE OF THE LONDON BOROUGH OF SOUTHWARK

The London Borough of Southwark is pleased to have the opportunity to submit comments to be considered as part of the HRAS Review. We would like to make some general points regarding the Reform Paper before responding to the specific consultation questions.

Southwark supports the aims of the review of Council Housing Finance to seek a self-financing solution that gives authorities financial independence, stability and resources to sustain their housing stock.

As things stand, authorities with high levels of debt need subsidy to meet their debt repayments. Debt levels have arisen largely from past Government decisions over supported borrowing, minimum repayment, reserved receipts and abolition debt transfers.

Any solution without annual subsidy will therefore need to ensure that debt levels are not above that able to be serviced from the profit of rents over need to spend of each authority. The current proposals go as far as that and no further, i.e. debt is distributed to mop up any spare income not required to finance need to spend. The proposals thus give authorities no headroom for funding additional investment, nor contingency for future revenue pressures. We therefore have several concerns over the proposed 'offer'.

List of Consultation Questions

Core and non-Core Services

- | |
|---|
| <p>1. We propose that the HRA ring-fence should continue and, if anything, be strengthened. Do you agree with the principles for the operation of the ring fence set out in Paragraph 3.28?</p> |
|---|

Southwark agrees that a separate landlord account is desirable and that there should continue to be an HRA ring-fence. In addition, we would wish to see an agreed methodology for establishing which (element of) services is charged to the HRA. We broadly agree with the six principles set out in Paragraph 3.28 of the consultation and also with the principles of Paragraph 3.29.

Southwark supports moves for more clarity over the HRA ring-fence. Past guidance has been patchy and of limited practical help, and now suffers from being outdated.

<p>If CLG has updated guidance ready for issue, it should be consulted on as soon as possible, and does not need to be tied into any other aspect of the Reform Paper, which might inhibit or delay its introduction.</p>
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APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)

2. Are there any particular ambiguities or detailed concerns about the consequences [of Q1]?

We are not sure what form of agreement is envisaged in Paragraph 3.29 but would be concerned at the practicalities of anything beyond a service level agreement.

Standards and Funding

3. We propose funding the ongoing maintenance of lifts and common parts in addition to the Decent Homes Standard. Are there any particular issues about committing this additional funding for lifts and common parts, in particular around funding any backlog through capital grant and the ongoing maintenance through the HRA system (as reformed)?

We welcome additional funding for lifts and common parts through revised weighting of an increased MRA; the detail of this higher standard and its application will need to be carefully considered, and appropriate for estates within the inner-cities with associated problems as well as more traditional council housing stock. As additional works have not been funded up to now, backlog funding is needed by capital grant or by uplifting the MRA by a further 19% suggested by the research. The questions imply separate additional funding to reach the Decent Homes Standard but this is not explicitly evident in the proposals and requires further elaboration.

4. Is this the right direction of travel on standards and do you think the funding mechanisms will work or can you recommend other mechanisms that would be neutral to Government expenditure?

The direction of travel towards improving standards to and beyond Decent Homes is welcomed, but it is only likely to be a sustainable move if the funding is made available to support it. Sustainability – including energy efficiency – is another area relevant to the standards issue. Funding for further work is limited and payback periods are lengthy.

Capital grant would appear to be the appropriate funding mechanism with a greater flexibility to carry over resources from one financial year to the next would be welcome. However, we are concerned that there is a lack of certainty regarding the methodology surrounding the extended operation of this funding type.

We are not sure that the solution will be revenue neutral, given the backlogs of non-ALMO or stock transfer authorities, particularly with the current low level of Right to Buy capital receipts. It is important that the backlog requirements for all retained authority stock is considered, including where properties will not meet the original Decent Home Standard by 2010/11.

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Southwark tenants have recently suffered tragedy because of the fire at Lakanal, in Camberwell, and therefore health and safety beyond Category 1 '**Housing, Health and Safety Rating System**' measures, is uppermost in both the Council's set of priorities, and of those living in the borough. The need for this to be reflected in HRA landlord obligations along with, for example, a Sustainable Communities policy means that likely funding may have to be linked even more closely to measurable objectives.

Leaseholders

5. We propose allowing local authorities to set up sinking funds for works to leaseholders stock and amending HRA rules to permit this. Will there be any barriers to local authorities taking this up voluntarily, or would we need to place an obligation on local authority landlords?

Whilst the intentions of the Government to provide assistance to leaseholders in meeting their commitments is noted, there are significant factors which make the operation of sinking funds counter-productive in this regard:

- Sinking funds only work if all residents contribute. This means that equal contributions need to be paid by each secure tenant. If this does not happen the situation could occur where leaseholders have made contributions and communal works are needed but cannot be undertaken through lack of funding (for the tenant proportion). This has previously happened in Southwark resulting in sinking fund contributions have to be refunded;
- Historically, local authorities such as Southwark have not been able to fund their investment needs; so any sinking fund proposals can only be set in an environment where tenant rents can fund their share of communal repairs;
- The proposed environment needs to deal with an anomaly – sinking fund payments from leaseholders are payments in advance, whereas funding of tenanted repairs is based on borrowing and repayment in arrears;
- Sinking funds cannot be an 'opt in' – contributions from all residents need to be mandatory and enforceable so as to ensure adequate funds are available to meet the landlord's contractual duties. Most local authority (including ALMO) leases have no sinking fund clauses. Simply put, sinking funds will require retrospectively inserting covenants into local authority leases; and

APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)

- Sinking funds are costly to manage – monies have to be receipted; accounted for; invested; statements provided, and so on which increases management costs for leaseholders. All the current assistance for local authority leaseholders is based around payment in arrears. Sinking funds are payments (up to 30 years) in advance. But experience is that leaseholders cannot afford to pay in advance and could be in danger of losing their homes if mandatory retrospective covenants were introduced into their leases. Through the use of the Sustainable Communities Act 2008 Southwark has proposed an alternative to sinking funds for local authority leaseholders; individual incentivised savings plans.

The operation of sinking funds for leaseholders should not be a requirement of local housing authorities.

Debt

6. We propose calculating opening debt in accordance with the principles set out in Paragraphs 4.22 – 4.25. What circumstances could lead to this level of debt not being supportable from the landlord business at the national level?

It is difficult to comment on the principles, in terms of the allocation basis of extra need to spend for individual authorities, as they have not been fully described. We await detailed exemplifications of the debt transfer proposals.

Information on allocations and assumptions

The viability for Southwark of the proposed settlement basis crucially depends on the actual level of opening debt. Despite the self-financing pilots conducted by CLG in the recent past and national debt total tables being produced now, we have no official information on the current assumptions that would determine our own need to spend or rent income and hence the debt level we would start with. A recent indication from a senior CLG officer was that we would only see draft allocation figures in March 2010 – this appears to equate to the indicative ‘offer’ mentioned in the Reform Paper. This excludes authorities from the debate around allocation weightings and from being able to model their own data, severely constricting our ability to contribute in a meaningful manner to the process.

A timescale for the publication of full information on assumptions must be set, containing adequate provision for consultation and challenge early in 2010 prior to offers later that year.

APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)

We are concerned at the level of debt proposed nationally – around £25bn. This would not be sustainable as the need to spend has been underestimated and income will be lower in early years than the average for the next thirty.

Management and maintenance need to spend should be increased by 10% to match the RSL level and cover contingencies whilst **MRA should increase by 43%** as indicated by the research. At these levels the national debt total would be largely unchanged and would be closer to being affordable.

The Reform Paper recognises possible implications for individual authorities' General Funds, and proposes making settlements should these arise. The Government should ensure that any such settlement be made as full settlement and outside Revenue Support Grant processes, as the effects of floors in the grant allocation processes could mean that entitlements through RSG would disappear and the full burden of HRA adjustment could then fall on the Council Tax payer.

7. Are there particular circumstances that could affect this calculation about the broad level of debt at the district level?

We are concerned that the proposed settlement uses projected future subsidy entitlement with only two amendments and therefore perpetuates some previously ingrained problems within the subsidy calculation. The level of local authority HRA debt on the current proposals would rise from £18bn to around £25bn indicating that HM Treasury would gain and local authorities lose massively compared to the current situation.

Income assumptions

In particular we will not be able to generate the full proceeds of guideline rent (at its average over the 30 years of the Housing business planning process) because of the following factors:

- Southwark has a void loss above 2% arising from nationally-supported regeneration schemes covering the Heygate and Aylesbury estates;
- Stock loss arising from these (and other) regeneration schemes and Right to Buy sales (identified stock for regeneration comprises 12.3% of Southwark's current budgeted stock total, or almost 5,000 properties);
- Rent levels on high-value properties are restricted by affordability caps and limits and are likely to remain so for the foreseeable future; and
- Rent levels in Southwark are currently on average 10% below Formula and a further 7.5% in real terms below the likely Formula rent level in 15 years time.

APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)

We are also concerned that increasing future resources put in by tenants will be taken away in the initial offer by increased debt. This would consolidate one of the main problems with the current subsidy system – that HM Treasury and not landlords keep any real-terms rent increases.

Income assumptions need to be based on both a realistic guideline rent, i.e. abated for the effect of caps and limits continuing until at least 5 years after the convergence date and the reduction in stock levels concomitant with significant regeneration.

Expenditure assumptions

A 5% once-only increase in management and maintenance need to spend is proposed. However, the increased level only matches what authorities are able to fund at present and falls short of RSL spend levels. Throughout the rent restructuring process, tenants have been expected to converge to paying RSL rent levels for comparability purposes, and therefore consistency demands that they should enjoy comparably funded service levels.

In addition, the model does not allow for contingencies. Amongst future possible pressures could be:

- Additional responsibilities arising, e.g. better fire safety standards, which is a nationally-noted concern of this authority;
- Any loss on leaseholder service costs against charges;
- Any loss on tenant service costs against charges;
- Differing rent and cost inflation increases; and
- Effects of regeneration schemes.

Management and maintenance need to spend must be increased by a further 5% (to an increase of 10%) to match RSL spend levels and to cover contingencies.

A 24% increase in Major Repairs Allowance is proposed, covering current asset renewal with no backlog funding. Building element replacement costs are rising as standards of heating, wiring, kitchen and bathroom fittings improve. It is already widely recognised that another 19% is immediately needed to cover backlog works.

Whilst the proposed increase in MRA is welcome, another 19% p.a. needs to be permanently added to major repairs need to spend, to make the overall increase 43%.

APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)

We have a long way to go to reach target rents and also several redevelopment schemes creating rent losses, so rent income may not be at the expected level. We also have a high consolidated rate of interest so each £1m of debt is more costly and less affordable for us than other authorities.

The Reform Paper notes that future rent policy is under review. The temporary changes in convergence dates announced in 2008 appeared to be HM Treasury-led and created confusion, not least because of the problematic timing of their announcement. However, whatever the convergence date, Southwark will have a significant minority of properties restrained by caps and limits for the foreseeable future.

The convergence date should be confirmed as 2016/17, (i.e. 10 years after the 2006/07 changes to Target Rents), and caps and limits effects must be reflected in any revenue settlement.

8. We identified premia for repayment and market debt as issues that would need to be potentially adjusted for in opening debt. How would these technical issues need to be reflected in the opening debt? Are there any others? Are there other ways that these issues could be addressed?

Premia should be funded up front rather than spread over several years. Interest rate changes and variations between authorities are not covered in the proposals. There should be compensation for any adverse effects on authorities' General Funds, e.g. if the consolidated rate of interest rises.

In the absence of practical details we have concerns over the consequences of redistributing debt. There will undoubtedly be knock-on effects for local authority General Funds, e.g. in changed interest rates and possibly unfunded premia.

Southwark's current Consolidated Rate of Interest (CRI) is nearly 7% and therefore £1m of debt is less affordable for us than for most other authorities, which have lower CRI's.

We would anticipate the need for legislation or the issue of regulations to cover the Government's actions as proposed. We are concerned that the proposals contravene proper accounting practice. This needs to be evaluated, and the proposals amended in accounting terms to meet proper practices under the '**Statement of Recommended Practice**' (or Financial Reporting Manual Code in future), or issue further regulation to allow departure from accounting practice under the SORP/FReM. A recent example of the latter would be regulations to counter the treatment of premia under the introduction of financial instruments in the SORP from 2007/08.

APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)

Converting cashflows into capital sums have usually been at NPV rates disadvantageous to recipients. Once again, we would want further consultation based on exemplifications.

Debt adjustment should include some move towards equalising CRI's, possibly by prioritising paying off high-interest debt.

There is a need to ensure that proposed actions on debt premia are consistent with proper accounting practice.

9. We propose that a mechanism similar to the Item 8 determination that allows interest for service borrowing to be paid from the HRA to the General Fund should continue to be the mechanism for supporting interest payments. Are there any technical issues with this?

The proposals on interest transfer mechanisms are no different from that which exist at the moment. Responses on the equitability of the cost of transfers are dealt with elsewhere.

However, we particularly welcome any proposals that will allow the disaggregation of new HRA and General Fund debt from the pooling of debt for subsidy purposes per Paragraph 4.26 of the Reform Paper, as adverse notional interest rates, from debt mountains arising in generationally different periods, significantly hamper this authority and many others in carrying out new investment both under supported borrowing and prudential borrowing regimes.

The disaggregation of new HRA and General Fund debt from the pooling of debt for subsidy purposes is welcome.

10. Do you agree the principles over debt levels associated with implementing the original business plan and their link to borrowing?

It is not clear that debt levels would be linked to the business plan – rather to need to spend subsidy-type figures. The debt levels need to allow for some contingency and not merely mop up the whole of an authority's expected rent surplus. Debt levels linked to affordability could be a viable basis but we need more detail on how debt would be calculated for each authority.

Government subsidy over the period of a PFI scheme is important in providing certainty to providers and it would not be possible to provide a similar level of assurance from a 30 year local authority business plan.

PFI revenue subsidy must continue on its current basis rather than being abolished with the other subsidy elements.

APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)

11. In addition to the spending associated with the original business plan, what uncommitted income might be generated and how might councils want to use this?

Generally we would want to use any uncommitted income to support capital investment, possibly as annual revenue contribution or to support prudential borrowing. The need for restriction on prudential borrowing is neither clear nor justified and HRA's should be regarded as trading entities, with their borrowing not part of PSBR.

Increasing rent income could support prudential borrowing for future investment. However, current Public Sector debt rules require HM Treasury to limit the total national amount of borrowing undertaken. Any controls operated will inhibit investment and run counter to the over-arching intention of the Reform Paper to provide a framework for self-financing.

Local Authority Housing provision is a trading activity able to generate funds to support investment borrowing and therefore should not be controlled as part of Public Sector debt.

Capital Receipts

12. We have set out our general approach to capital receipts. The intention is to enable asset management and replacement of stock lost through Right to Buy. Are there any risks in leaving this resource with landlords (rather than pooling some of it as at present)?

Right to Buy sales are not generating significant resources at present but have done so in the past. Generally local authorities are best placed to decide on investment of their own receipts, providing that sufficient central funding is able to be otherwise provided to meet the decent homes backlog. Right to Buy sales create a revenue loss. Some authorities might wish to use RTB receipts to reduce debt and release revenue resources for services, rather than using receipts for capital investment.

With economic conditions reducing the level of capital receipts possible and supported borrowing coming to an end after 2010/11, investment funding has become a greater problem for Southwark than the revenue situation. Proposals within the Reform Paper are unclear on what funding for backlogs, the Decent Homes Standard and new build would be available. Biddable Government funding is only perceived as a contributor to costs rather than schemes being fully-funded centrally, so local authorities are normally expected to raise additional funds locally.

The proposal to let local housing providers retain all Right to Buy receipts is welcome.

APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)

However, it is not clear that this would provide significant investment funding in the future:

- The Council may need to use some of the receipts to repay debt to offset the revenue effect of stock loss, which is greater without the dampening effect of consequential subsidy change; and
- For HCA-assisted new-build and similar schemes local authorities are required to repay capital grants from Right to Buy receipts – this approach is inconsistent with the proposed treatment of other capital receipts and is likely to inhibit HCA-related bidding in the future.

It is evident that revenue surpluses could provide significant investment resources nationally yet these are being taken away by the proposed debt settlement.

The proposed need to spend must include an element of headroom for revenue support to capital expenditure (or to meet prudential borrowing costs).

13. Should there be any particular policy about the balance of investment brought about by capital receipts between new supply and existing stock?

It is difficult to specify this, given varying levels of social housing, its condition, and land availability etc. The HCA funding emphasis at present appears to be towards new, although not replacement, stock and their policy needs widening rather than imposing restrictions on local authorities.

14. Are there concerns about central Government giving up receipts which it currently pools to allow their allocation to the areas of greatest need?

To date, much of the pooled funding has been allocated by Government to ALMO's or to PFI schemes, not necessarily where there is the greatest need. There is some danger of Right to Buy receipts not reviving enough to offset any central funding reduction.

APPENDIX B – HRA REFORM PAPER RESPONSE (OCTOBER 2009)**Equality Impact Assessment**

15. Would any of our proposed changes have a disproportionate effect on particular groups of people in terms of their gender or gender identity, race, disability, age, sexual orientation, religion or (non-political) belief and human rights?

Although people from Black and Minority Ethnic groups are more reliant on social housing, we do not think that there is anything in the proposals themselves that would impact disproportionately on any specific community, or ethnic group.

However, there is a more general concern regarding the borough's very low income levels, particularly among council tenants as demonstrated by Southwark's Housing Requirements study, so any move to further increase rent levels would be likely to have a very serious impact on income levels amongst the most deprived residents of Southwark.

16. What would be the direction (positive or negative) and scale of these effects and what evidence is there to support this assessment?

Please refer to Q15. above.

17. What would be necessary to assemble the evidence required?

Please refer to Q15. above.

APPENDIX C – TIMELINE OF CONSULTATION PROCESS

23 July 2007	Housing Green Paper ' Homes For The Future: more Affordable, More Sustainable ' includes intention to "examine the case" for the review of HRA Finance
12 December 2007	Announcement of review process by Communities and Local Government
10 March 2008	Ministerial launch of review process
22 July 2008	Enactment of the Housing and Regeneration Act 2008 , which contains provision (s.313) for local housing authorities to remove some or all of their stock from the housing subsidy system
Summer/Autumn 2008	CLG conduct workstream groups and other consultation exercises
31 October 2008	End of first consultation period
21 July 2009	Publication of ' Reform of Council Housing Finance ' consultation document
27 October 2009	End of second consultation period
25 March 2010	Publication of ' Council Housing: A Real Future ' (the Prospectus) consultation document
6 July 2010	End of third consultation period
1 April 2011	Possible date of implementation of self-financing
1 April 2016	Proposed rent convergence date
2035/36	Modelled break-even date under self-financing proposals
31 March 2041	Proposed end of first 30-Year self-financed Business Plans

APPENDIX D – CONSULTATION QUESTIONS FROM ‘COUNCIL HOUSING: A REAL FUTURE

- 1. What are your views on the proposed methodology for assessing income and spending needs under self-financing and for valuing each council's business?**
- 2. What are your views on the proposals for the financial, regulatory and accounting framework for self-financing?**
- 3. How much new supply could this settlement enable you to deliver, if combined with social housing grant?**
- 4. Do you favour a self-financing system for council housing or the continuation of a nationally redistributive subsidy system?**
- 5. Would you wish to proceed to early voluntary implementation of self-financing on the basis of the methodology and principles proposed in this document? Would you be ready to implement self-financing in 2011/12? If not, how much time do you think is required to prepare for implementation?**
- 6. If you favour self-financing but do not wish to proceed on the basis of the proposals in this document, what are the reasons?**

APPENDIX E – ‘PRE-RESPONSE’ TO DEPARTMENT OF COMMUNITIES AND LOCAL GOVERNMENT (MAY 2010)



Finance and Resources
Direct Line – 020 7525 7771
Officer Dealing – Shaun Regan

Review of Council Housing Finance
Department for Communities and
Local Government
Zone 4/H4, Eland House
Bressenden Place
London SW1E 5DU

27 May 2010

Dear Sir/Madam,

‘Council Housing: A Real Change’ – Pre-Response Submission

Thank you for the opportunity to respond to the Consultation document ‘**Council Housing: A Real Change**’. The council intends to respond formally before the closure date of July 6 2010, once a process of consultation with tenants and leaseholder representatives has taken place. As a London Borough, we have also had “all out” elections this month resulting in a change of political control, and therefore would wish to brief our members, some of whom are entirely new to the council, on this vital area of potential change.

Notwithstanding the above, I felt it important to make you aware of some potential areas of concern that I have, since in some instances they may be resolvable, and in others, you may be able to provide a view that will enable me to recommend broad acceptance of the Settlement offer.

The proposals appear to be adverse for us in the early years (we expect a potential revenue loss of £7.6m in Year 1, and further losses in years 2 – 4 totalling around £13m) and we are anxious to establish whether there is scope for change to mitigate this position. As things stand we might have difficulty in supporting the basic proposals because of the severe financial problems we would face in early years. The areas we wish to have clarification on are outlined below.

APPENDIX E – ‘PRE-RESPONSE’ TO DEPARTMENT OF COMMUNITIES AND LOCAL GOVERNMENT (MAY 2010)**Debt Modelling Assumptions**

Southwark is in a particularly unique position regarding other social housing providers, as we are – under the PricewaterhouseCoopers model – likely to be offered a substantial commutation of existing housing debt, whilst having an average debt interest level higher than that mooted under the model. There is therefore a real danger that the Offer will underestimate the costs to us of any proposed new debt settlement level. Our consolidated rate of interest is currently around 6.9% and the understanding is that the proposals, which would reduce debt, would not affect that. If so, we have been advised that Southwark would be the only authority in the country with a CRI above 6.5% (others with high CRI's would be taking on new debt at prevailing market rates which, being near historic lows, will have the effect of reducing their average rate). This means that a debt level affordable at 6.5% is not so to us because we would be paying 6.9% interest. The 7% proposal would not provide us with the headroom intended, which would have the additional effect of preventing us from responding positively to the new-build proposals in the Prospectus.

If we were able to adopt a more targeted approach to commutation, i.e. to redeem higher coupon debt early, then this would have the beneficial effect of reducing our CRI which would then be in tandem with other high-CRI authorities. Otherwise, it would appear that the savings to be had in terms of the reduced cost of servicing the reduced debt level would be more than outweighed by the amount of subsidy foregone in the early years of self-financing. When consulting with our tenants, leaseholders and members, the fact that the current proposals would lead to a significant reduction in resources to Southwark in the first few years post-Settlement makes a recommendation to accept the Offer a difficult position to justify, even though there is the potential for greater support over the full thirty years of the HRA business plan.

It is appropriate that we draw particular attention to paragraph 2.51 in the Prospectus which specifically identifies this issue – we will be responding as one of the affected authorities in this regard.

APPENDIX E – ‘PRE-RESPONSE’ TO DEPARTMENT OF COMMUNITIES AND LOCAL GOVERNMENT (MAY 2010)**Rent Debit Levels**

In common with most inner city and metropolitan areas, our average rents have been historically low, which has made rent restructuring a challenge. We have, however been supporters of these changes since their inception almost ten years ago. The assumptions of the model regarding convergence to the formula rent level by 2015/16 are unlikely to be met by Southwark, leading to uncertainty as to the robustness of the business plan in the medium-term. My staff will be able to quantify this further in time for the formal response, but a strict adherence to the parameters of formula rent-setting lead me to the inescapable conclusion, even at this stage, that we will not be realising the full levels of rental income that the model takes as given for some years after 2015/16. In addition the effect of caps is proposed to be ignored because it affects only a few authorities – we are one of those and cannot ignore it. Whilst it may be difficult to adjust for this it is yet another factor affecting outlying authorities. We are keen to explore the possibility of any form of individual calculation/transitional basis to assist us in recognising this issue.

Decent Homes Backlog

As you will recall, Southwark tenants decisively rejected a proposed large-scale voluntary transfer of stock (LSVT) around the Aylesbury Estate in 2002. This led the council to the conclusion that there was no appetite for any form of modified housing management vehicle amongst tenants, and so we did not pursue the creation of an Arms-Length Management Organisation (ALMO). Various avenues of additional central support for the Decent Homes policy objective were therefore closed off to us as a consequence. The Prospectus document notes the means by which ALMO's may access the committed £3.2bn that the Government accepts will be required to meet the policy objective, but there is little comfort for others in this regard. We require greater clarity regarding whether this nationally-modelled sum has been assessed for adequacy against the level of pending ALMO commitments and the substantial non-ALMO need on top of this.

The key for Southwark is that as a retained stock authority we have an absolute need to be consulted on any mechanism devised by yourselves to identify and access monies applied to target the Decent Homes backlog irrespective of our housing management delivery arrangements, and welcome further discussions either directly with you, or through representative bodies in order to achieve this.

APPENDIX E – ‘PRE-RESPONSE’ TO DEPARTMENT OF COMMUNITIES AND LOCAL GOVERNMENT (MAY 2010)**Private Finance Initiative**

We have approval to submit an HRA Private Finance Outline Business Case this summer, so it is possible that this will be approved this year. We understand that Private Finance credits may take into account consequent subsidy changes over the life of the scheme. Will any such adjustment, relating to future subsidy and which might be negative for us because of falling stock, be taken out of the self-financing PFI adjustment? Despite poor economic prospects, we remain fully committed to the regeneration of the Heygate and Aylesbury estates, encompassing 1,212 and 2,758 dwellings respectively. Naturally, this is a very substantial part of our thirty-year HRA business plan, and we have particular concerns on that basis.

Stock Numbers

We are currently carrying out major regeneration schemes at Elephant and Castle (Heygate Estate) and Walworth (Aylesbury Estate), the latter being the subject of the PFI bid. We are steadily decanting these estates prior to them being redeveloped for new housing (private, RSL and council) and our stock is steadily declining by 300 – 500 units p.a. because of this. It would appear from the model that regeneration stock losses, arising as part of PFI or other major schemes, are not taken into account in the numbers used in modelling. The assumptions made around the rental stream, over the initial few years particularly, are critical and must be recognised if the proposal is to be sustainable at a local level.

As I noted above, we will also be providing a full and formal response to the consultation paper in due course, but I hope that you can give us some specific guidance in terms of the items outlined above to assist in formulating that response.

Yours faithfully,

Duncan Whitfield
Finance Director

Agenda Item 8

Item No.	Classification: Open	Date: 15 June 2010	Meeting Name: Cabinet
Report title:		Proposed Amendment to Interim Outline Business Case for Aylesbury Estate Private Finance Initiative	
Ward(s) or groups affected:		Faraday	
From:		Strategic Director of Regeneration and Neighbourhoods	

RECOMMENDATIONS

That the Cabinet agrees to:

1. Amend the scope of its Outline Business Case (OBC) under the Government Private Finance Initiative (PFI) to include sites 1b & 1c as well as those in Phases 2 & 3.
2. Request officers to consult with affected local residents to obtain their views on possible changes to the phasing and timing of the Aylesbury regeneration programme.

BACKGROUND INFORMATION

3. Early in 2009 the council was successful with its Expression of Interest to the Homes and Communities Agency (HCA) for PFI credits for Phases 2 and 3 of the Aylesbury regeneration programme. The phasing diagram is shown as Appendix 1.
4. In October 2009 the executive considered two reports to take the Aylesbury Regeneration Programme forward:
 - The first report addressed Phase 1 of the development and the executive agreed to take the sites comprising this phase forward on the basis of a selection process utilising a developer panel procured by the HCA;
 - The second report considered the PFI award for Phases 2 & 3 and for the redevelopment of these sites to follow on from Phase 1.
5. The executive agreed for council officers to prepare an Interim Outline Business Case (IOBC) to be submitted to HCA in July 2010 as part of its case for obtaining Private Finance Initiative (PFI) credits to part fund the implementation of Phase 2 & 3. The sites currently comprising Phases 2 & 3 are expected to deliver approximately 410 social housing units, 136 intermediate units and 548 units for sale. The PFI project would deliver the social housing.
6. The HCA requires the Aylesbury PFI Housing Project to commence work on site before the end of 2014. This is a challenging target given the complexity of the PFI procurement process. A further complication is the need to develop all the Phase 1 sites in advance of the Aylesbury PFI Housing Project.
7. Since the executive decision, work has continued on a number of streams in taking the project forward. Key outcomes of this work have been:
 - An independent review by Grant Thornton of the scheme financing and risks
 - Clarification of the project timescales and technical requirements for the PFA, including discussions with other authorities that have taken forward housing PFI schemes

- Some delays in the setting up of the HCA developer panel and detailed discussions with the HCA on matching the use of this panel with the council's procurement processes
 - Some recent and fundamental reductions in available HCA funding arising from the recent government spending review.
8. These factors have led to the need to reassess the project in terms of timing and potential funding sources, to minimise the risks to the project and ensure the production of a robust IOBC for the PFI.

KEY ISSUES FOR CONSIDERATION

9. In the light of the above, there are major risks in progressing the current phasing proposals, in terms of both funding and phasing. The substantial reduction in available funding from the HCA could leave the remaining Phase 1 sites with a financial deficit which, together with the high upfront costs of leaseholder buybacks for Phases 2 and 3, would make the programme unaffordable. In terms of phasing, the above issues have delayed the marketing and delivery of the Phase 1 sites, which in turn impact on the deliverability of Phases 2 and 3. There are two key issues:
- Phases 2 and 3 are dependent on Phase 1 sites being completed in order to decant existing residents from the later phases.
 - On the advice of Savills, market conditions are such that around 100 of each type of property unit (i.e. houses and apartments) could be sold per annum. The convergence of Phase 1 with Phases 2 and 3 would mean that these numbers are greatly exceeded, with a consequent likely loss of developer interest in the scheme.
10. In order to manage these risks and ensure that PFI funding is not compromised, it is suggested that an alternative phasing is explored as part of the IOBC. From the current Phase 1, sites 7 and 10 would still be progressed through a procurement process; however, it is suggested that sites 1b and 1c, together with sites 8 and 9 from Phase 3 are considered for PFI funding in place of Phases 2 and 3.
11. This change could result in the timeline for redeveloping the sites comprising Phases 1, 2 & 3 changing while the target date for commencing building work on site for the PFI work unchanged. It is anticipated that these changes are likely to deliver a much more robust IOBC. The overall impact would be to increase the certainty of the regeneration programme moving forward, in a difficult market and external funding environment.
12. At this stage, cabinet is being requested to include the consideration of sites 1b and 1c in the IOBC, to be reported back in detail to the cabinet meeting on July 20. Should the council choose to alter the scope of the PFI as indicated, then officers will discuss with the HCA the future potential for using HCA Social Housing Grant (SHG) to help fund the redevelopment of the remainder of Phase 3 and Phase 2.

Consultation

13. It will be important that residents are appropriately informed and consulted, including those affected by any changes to the current published redevelopment proposals. The aim is that the outcome of this consultation will be available to the cabinet at its meeting in July when considering the IOBC. This consultation will be taken up through Creation and also more generally with residents, and will comprise an information pack clearly explaining the issues, the decision-making process and likely timetable, the deadline for responses and details of officer contact points where residents can take up their queries and concerns.

Policy implications

14. The main policy context is provided by the Aylesbury Area Action Plan (January 2010). Any future proposals would need to remain in line with the Plan in terms of land uses, tenure mix and broad timescales. An assessment of the proposals in the IOBC will be reported to the July meeting of the cabinet.

Community Impact Statement

15. There are no immediate implications arising from the preparation of the IOBC at this time. Any implications arising from any proposed changes in timing will be reported to the next meeting.

Resource Implications

16. There will be some resource implications arising from an increased cost of preparing the IOBC as a result of developing the additional option of changing the scope of the Aylesbury PFI housing scheme. This additional cost will be contained within existing revenue budgets.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Finance Director

17. In order to address properly the requirements of the PFI and submission of the Outline Business Case, it is essential that sites 1b and 1c are incorporated as part of the analysis of options.

Strategic Director of Communities, Law & Governance

18. The potential revisions to the phasing could result in a material change to management, maintenance and improvement of the dwellings on these sites and as a consequence the council is obliged under section 105 of the Housing Act 1985 to consult with the tenants affected. While no formal decision has been made on whether the composition of the Aylesbury PFI Housing Project should change, the IOBC is likely to confirm that it should and in order to inform the council's decision on whether the scope of this scheme should change then it would be prudent for the council to consult on this proposition.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Aylesbury Area Action Plan	Regeneration and Neighbourhoods Dept.	Julie Seymour 0207 525 0508

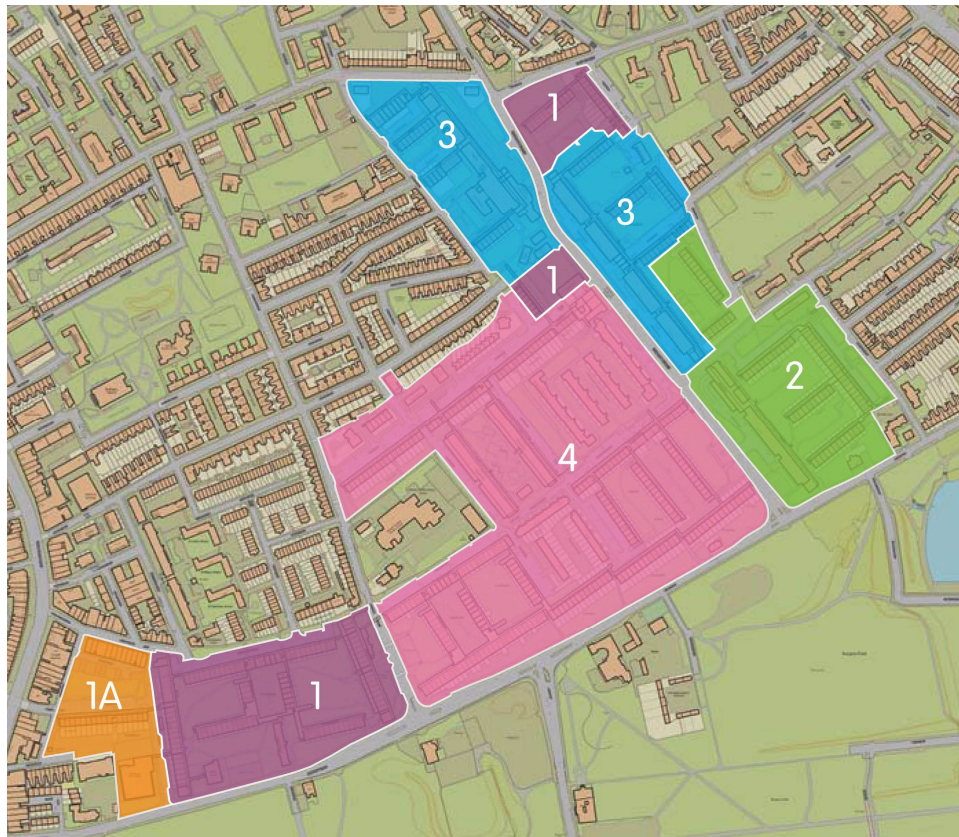
APPENDICES

No.	Title
Appendix 1	Sites Comprising the Aylesbury Regeneration Programme
Appendix 2	Summary of the Blocks comprising Phase 1, 2 & 3

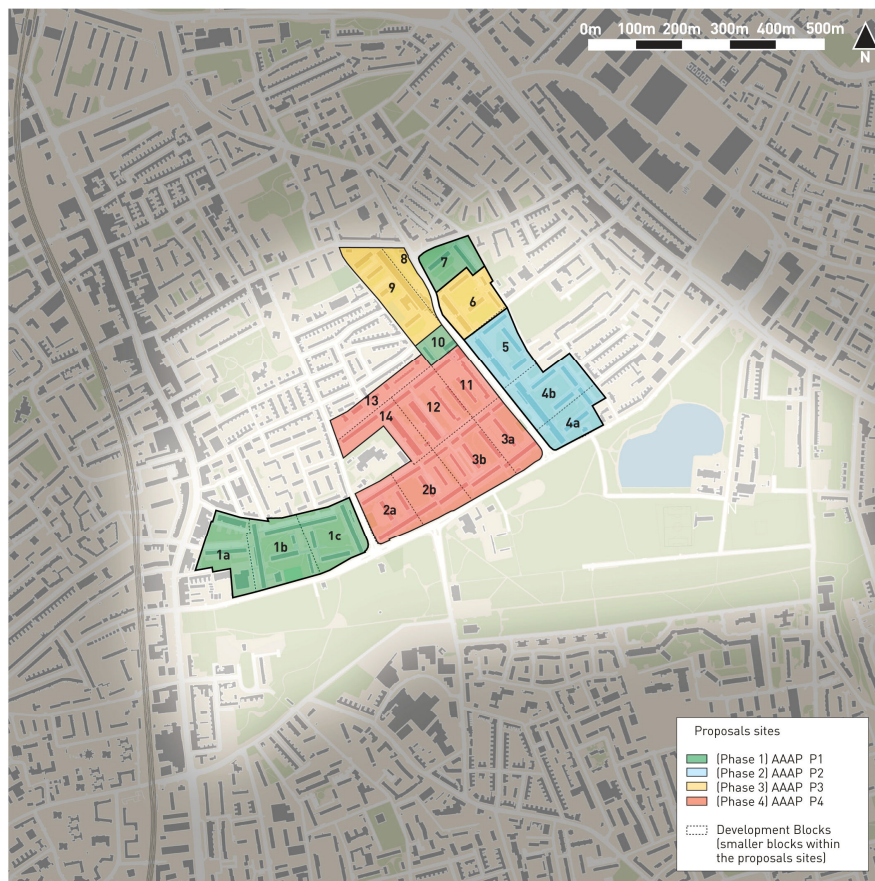
AUDIT TRAIL

Lead Officer	Richard Rawes, Strategic Director of Regeneration and Neighbourhoods	
Report Author	Geri McLeary, Aylesbury Regeneration Programme Director	
Version	Final	
Dated	June 4 2010	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
List other officers here		
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	June 4 2010	

Appendix 1: Phases Comprising the Aylesbury Regeneration Programme



List of Sites Comprising the Aylesbury Regeneration Programme



Appendix 2: Summary of the Blocks Comprising Phase 1, 2 & 3

Phase 1 - Site	Blocks
7	Wolverton 1-27 Wolverton 28-59
10	Missenden 300-313
1b	Chartridge 69-76 Chartridge 77-105 Bradenham 42-256 Ellison House Arklow 1-28
1b/1c	Chartridge 1-68
1c	Chartridge 106-119 Chartridge 120-149 Chiltern 1-172

Phase 2 - Site	Blocks
4a	Foxcote 1-30 Albany Road 140
4a/4b	Ravenstone 1-81 Wendover 241-471
4b	Padbury 1-25 Winslow 1-30
5	Wolverton 152-175 Wolverton 176-192 Wolverton 126-151 Wendover 37-72 Wendover 117-156 Wendover 201-240

Phase 3 - Site	Blocks
6	Brockley House 1-14 Wolverton 60-84 Wolverton 85-104 Wolverton 105-125 Wendover 1-36 Wendover 73-116 Wendover 157-200
8	East St 218 A-F
9	East St 184 A-F Northchurch 1-20 Northchurch 21-40 Northchurch 41-56 Northchurch 57-76 Taplow 1-215
10	Tykes Corner

Item No.	Classification: Open	Date: 15 June 2010	Meeting Name: Cabinet
Report title:		Planning Enforcement Review	
Ward(s) or groups affected:		All	
From:		Scrutiny Sub-Committee C	

RECOMMENDATIONS

1. That the cabinet considers the recommendations of the planning enforcement review undertaken by scrutiny sub-committee C (attached as annex 1 to this report), including the comments of the strategic directors of regeneration and neighbourhoods as outlined in this report.
2. That the cabinet refers the recommendations from this report to the Planning Committee, Constitutional Steering Panel and Chairs of Community Councils as appropriate, for consideration and implementation.

BACKGROUND

3. The scrutiny sub-committee undertook a review of planning enforcement, focused on the way the enforcement process works in practice. In particular:
 - How the enforcement service works in collaboration with other regulatory and service delivery functions within the council
 - The understanding and approach to pre-emptive tools such as temporary stop notices and injunctions
 - Decision making and the scheme of delegation in operation
 - Communication between the council and the community on enforcement issues
4. The sub-committee's report was considered by overview & scrutiny committee at its meeting on 24 May 2010.

KEY ISSUES FOR CONSIDERATION

5. The Planning Acts give the council a wide range of powers to deal with a breach of planning control. The implementation of these powers is known as planning enforcement.
6. A breach of planning control occurs when an organisation or individual:
 - carries out development that needs planning permission without first obtaining it, or
 - breaches the conditions attached to planning permission.
 - Effective planning enforcement has a significant role to play in protecting the quality of the local environment and quality of life for communities.

7. Planning enforcement is an important element of the overall planning regime. The delivery of an effective, consistent and efficient enforcement service can have a great positive impact on the lives and livelihoods of the people of Southwark.
8. Planning is a complex and contentious issue across the United Kingdom. Southwark is no exception to this. The visibility of planning issues evoke strong feeling and this makes them a favourite topic of discussion and debate in every community, especially where there is a perception that things have not been dealt with effectively
9. The scoping discussion highlighted a potential need for greater clarity, communication and consistency between cases in the implementation and decision making associated with planning enforcement.
10. The individual recommendations suggested in this review are small in scale. However, if made, collectively they would have a substantial impact on the effective delivery of the service, by:
- setting a clear framework for joined-up working with other regulatory regimes;
 - improving clarity of roles;
 - establishing clear priorities for use of resources; and
 - providing better information and guidance for users of the planning service
11. The response from the strategic director of regeneration and neighbourhoods to scrutiny's recommendations is set out below:

Recommendation	Officer Response
1. The implementation of increased and systematic internal communication and training between planning enforcement and other regulatory functions of the council, including access to computerised record systems.	- Agreed. Internal communication with Building Control, Housing Management, Environmental Protection and Area Renewal Teams continue to be strengthened.
2. Particular focused training should be introduced in the "evolution of premises" issue.	- Agreed. Officer awareness being raised in identifying incremental changes to the use of buildings over time, or changes to the fabric of the building that might accumulate into planning breaches.
3. A common system should be developed for all enforcement teams across the council to pass information in a timely way to planning enforcement officers when they become aware of a possible breach of planning control.	- Other enforcement teams across the Council to be made aware of the role of the planning enforcement team and an information sharing system developed.
4. The development of clear guidance	- Agreed. There are plans to publish

<p>for businesses and individuals on planning enforcement issues, especially around licensing. This advice should be developed with full engagement of those members of the public who are already actively involved in planning enforcement issues.</p> <p>5. In future, when differential and potentially contradictory compliance requirements are made by planning enforcement and other regulatory regimes, a clear “joint” explanation be offered to minimise misunderstanding.</p> <p>6. Development of systematic closer working arrangements between the planning enforcement and building control functions of the council.</p> <p>7. Where a priority one breach of planning control is identified, there will be a presumption in favour of the use of a temporary stop notice by the legal and planning enforcement officers.</p> <p>8. Systems should be put in place to facilitate decision making for priority one breaches which are fast enough to make the use of temporary stop notices by the council a viable option.</p> <p>9. The Planning Committee should receive an annual report on planning enforcement containing both quantitative and qualitative information, to allow it to set policy priorities effectively.</p> <p>10. The scheme of delegation in the Council’s Constitution should be amended to facilitate the referral (at the discretion of the Head of Development Management) of planning enforcement decisions to the Planning Committee.</p> <p>11. Each community council should receive regular (at least quarterly reports) on planning enforcement issues, building upon the pilots already underway. These should normally be presented by an officer who could answer questions.</p> <p>12. Individuals or organisations that report a possible breach of planning should receive a copy of the enforcement</p>	<p>focused guidance in planning regulations to specific target groups such as small businesses in liaison with local residents, members & local businesses.</p> <p>- Agreed, joined up and coordinated working sought in seeking compliance with planning regulations.</p> <p>- Agreed. Joined up working between the planning enforcement and building control functions of the council continue to be strengthened. Planning enforcement now receiving weekly reports from Building Control discoveries, commencement and initial building notices to check compliance with planning regulations.</p> <p>Agreed. Updated IDOX Enterprise planning enforcement module now up and running.</p> <p>Agreed. Officers in the process of preparing the 2009-2010 report to planning committee.</p> <p>Agreed.</p> <p>Agreed.</p> <p>Agreed.</p>
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protocol to improve communication and transparency around processes.	
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Background Papers	Held At	Contact
Scrutiny Sub-Committee C/Overview & Scrutiny Committee - minutes and reports	Scrutiny Team Tooley Street London SE1 2TZ	Karen Harris Scrutiny project manager Tel: 020 7525 0324

APPENDICES

No.	Title
Appendix 1	Planning Enforcement Scrutiny Review

AUDIT TRAIL

Lead Officer	Shelley Burke, Head of Overview & Scrutiny	
Report Author	Karen Harris, Scrutiny Project Manager	
Version	Final	
Dated	25 May 2010	
Key Decision?	No	
Consultation with other officers / directorates / Cabinet member		
Officer Title	Comments Sought	Comments Included
Strategic Director of Communities, Law and Governance	Yes	None made
Directors of Regeneration and Neighbourhoods	Yes	Yes

PLANNING ENFORCEMENT

Report of Scrutiny Sub-Committee C

May 2010



Chair's foreword and context of the review

Planning has always been a complex and contentious issue across the United Kingdom. Southwark is no exception to this.

Planning enforcement is an important element of the overall planning regime. The delivery of an effective, consistent and efficient enforcement service can have a great positive impact on the lives and livelihoods of the people of Southwark.

The visibility of planning issues evoke strong feeling and this makes them a favourite topic of discussion and debate in every community, especially where there is a perception that things have not been dealt with effectively.

This scrutiny review has been deliberately narrowly focused and objective. We have not sought to form opinions or recommendations on the planning policies of the council, nor to assess the outcomes of individual enforcement cases.

Instead we focused our attention on the way the enforcement process works in Southwark, in particular:

- How the enforcement service works in collaboration with other regulatory and service delivery functions within the council
- The understanding and approach to pre-emptive tools such as temporary stop notices and injunctions
- Decision making and the scheme of delegation in operation
- Communication between the council and the community on enforcement issues

The time available to undertake the review has been limited due to the election period, so our review has been largely reliant upon evidence from members and officers of the council. The sub-committee is grateful for the expert, positive and timely input it has received, in particular from the Head of Development Management, Planning Enforcement Manager and Health Safety and Licensing Manager

We have also benefitted from input and evidence from a local resident with a long experience of planning enforcement issues. We hope that those taking forward the recommendations from this review will make use of the resources available in the community as the enforcement service moves forward.

The recommendations made in this report offer an opportunity to clarify and enhance an important service for the community and businesses in the borough.

Councillor Toby Eckersley
Chair, Scrutiny Sub-Committee C
March 2010

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1. What is planning enforcement?

- 1.1 The Planning Acts give the council a wide range of powers to deal with a breach of planning control. The implementation of these powers is known as planning enforcement.
- 1.2 A breach of planning control occurs when an organisation or individual:
 - carries out development that needs planning permission without first obtaining it, or
 - breaches the conditions attached to planning permission.
- 1.3 Effective planning enforcement has a significant role to play in protecting the quality of the local environment and quality of life for communities.

2. Introduction and scope of the review

- 2.1 The scrutiny review of planning enforcement was originally suggested by Councillor Gordon Nardell. Its scope has been informed by two papers which Councillor Nardell produced in January 2009 and January 2010, based on experience of enforcement issues arising in and around Peckham.
- 2.2 The scoping discussion was also informed by a comprehensive report from the planning enforcement team in the council, outlining current working practice including a large number of recent service improvements such as considerably improved resource stability, and arrangements for consistent delivery of the service.
- 2.3 The report also contained recent performance statistics for the service to enable the sub-committee to see the current volume and complexity of issues that are being managed by the team.
- 2.4 The sub-committee also invited views at the scoping stage from Eileen Conn, an active local resident who had expressed a particular interest in the review.
- 2.5 The scoping discussion highlighted a potential need for greater clarity, communication and consistency between cases in the implementation and decision making associated with planning enforcement.
- 2.6 In this context it was agreed that the review should focus upon the council's own processes, procedures and decision-making around planning enforcement.

2.7 With this in mind detailed evidence was requested on the following issues:

- How the enforcement service works in collaboration with other regulatory and service delivery functions within the borough
- The understanding of and approach to use of pre-emptive tools such as temporary stop notices and injunctions
- Decision making and the scheme of delegation in operation

3. Planning enforcement and other council functions

Joined-up working between council departments

3.1 It came to the attention of the sub-committee during the scoping exercise that, historically, the effectiveness of the relationship between the planning enforcement functions within the council and other departments had been poor. In some cases, so poor that other departments have been in breach of planning control in the work they have done.

3.2 Evidence on specific cases from a number of departments was received by the sub-committee that confirmed this to be the case. The sub-committee noted the importance of improved joined-up working and systems between council departments to ensuring successful planning enforcement, and was pleased to learn that there are a number of working protocols now in place.

3.3 The sub-committee noted from the evidence it considered that where town centre managers are, or have been, in post, this clearly has a beneficial impact upon facilitating joined up working on a very localised basis.

3.3 During discussions it became evident that many of the issues derive from lack of staff awareness of enforcement issues and the seriousness of infringement, which could ultimately lead to legal action.

3.4 It was discovered that any general lack of awareness is further exacerbated by the complexity of planning issues. In particular, incremental changes of use of a building over time, or changes to the fabric of the building, can accumulate into a planning breach. Each individual change may be very small but the cumulative alteration is substantial. This type of evolution of premises is an area of concern which needs a particular training focus. It would not be captured in generic "planning awareness" training.

3.5 The sub-committee's recommendations on joined up working, focus on actions which will help to avoid the need for enforcement action within the council are set out below:

Recommendations:

1. The implementation of increased and systematic internal communication (including access to computerised record systems) and training between planning enforcement and other regulatory functions of the council, and with housing and highways functions.
2. Particular focused training should be introduced in the “evolution of premises” issue.
3. A common system should be developed for all enforcement teams across the council to pass information in a timely way to planning enforcement officers when they become aware of a possible breach of planning control.

Joined up working with partners and partnerships

- 3.6 The activities of many partners and partnership bodies impinge upon planning and planning enforcement activities in the borough. There is a clear need for planning enforcement staff to have an understanding of how the service relates to other organisations, and supports the priorities for the borough, by working closely with others.
- 3.7 It may be possible for example, to work more closely with the police on designing out crime and disorder, and reducing the risk of amenity issues by working closely with the safer neighbourhood teams.

Multiple regulatory processes and priorities

- 3.8 It became clear during the review how easily regulatory systems which operate in isolation from one another can find themselves giving judgements and rules which may appear contradictory to land and building users in the borough. For example, the permission granted for hours during which premises can operate for commercial purposes may be different from the licensing hours.
- 3.9 The council is responsible for a number of regulatory functions, each of which has its own legal framework and governance arrangements. No one regime has supremacy over the other and the decisions of one are not binding on another.
- 3.10 The sub-committee deliberated the impact on the “consumers” of the system of the various regulatory processes.
- 3.11 The council’s own policy sets out a framework for cross-consultation so that there is consistency for the customer from both processes, with an expectation that where rules differ between the two approvals, for example on opening hours, the more stringent rules would apply.

- 3.12 This evidence demonstrates clearly how easily confusion can arise, particularly from the perspective of customers of the systems, or members of the public observing the outcomes of these complex decision-making processes (many of whom have an active interest in supporting the council in the effective implementation of its planning enforcement responsibilities). There are issues around public expectations from the various systems, and how users of the system understand and negotiate their use.
- 3.13 The sub-committee noted the example of the Guide for Faith Communities produced on the planning requirements around faith premises, and agreed that this kind of guidance is good practice which could be replicated for other groups which are users or, which do not know they need to use the planning process.
- 3.14 The review recommends the following practical steps that could be taken to minimise confusion leading to non-compliance in the future:

Recommendations:

4. The development of clear guidance for businesses and individuals on planning enforcement issues, especially around licensing. This advice should be developed with full engagement of those members of the public who are already actively involved in planning enforcement issues.
5. In future, when differential and potentially contradictory compliance requirements are made by planning enforcement and other regulatory regimes, a clear “joint” explanation be offered to minimise misunderstanding.

4. Pre-Commencement vigilance

- 4.1 The sub-committee received a variety of evidence demonstrating that even for developments with appropriate planning and regulatory arrangements in place there is still a need for planning enforcement. There is a need to ensure that the development proceeds in line with the plans approved.
- 4.2 Effective vigilance requires close working between building control and planning enforcement teams, even after the relevant planning approvals are in place.

Recommendation

6. Development of systematic closer working arrangements between the planning enforcement and building control functions of the council.

5. The council's use of enforcement tools and pre-emptive powers

- 5.1 The council has a number of tools at its disposal to deal with planning enforcement issues, ranging from low key negotiation to taking court injunction action to stop activity.
- 5.2 The sub-committee confirmed through the evidence it received that whilst there are legal frameworks and guidance around the use of each power, there is a substantial level of subjective judgement necessary on a case by case basis to decide which, if any, of these tools should be used. In planning enforcement terminology this is often referred to as the "expedient" use of planning action, from the language of s. 172 of the Town and Country Planning Act 1990, which relates to enforcement notices. The main two categories of enforcement tools are those which follow a period of investigation and which, once deployed, come into effect after a waiting period (enforcement notices and breach of condition notices); and those that are pre-emptive and can stop a breach of planning control in its tracks – stop notices (which can be served in conjunction with an enforcement notice), temporary stop notices and injunctions (which can be used as soon as a breach is detected).
- 5.3 In many cases, taking formal enforcement action is costly and time-consuming for all concerned, and the use of good judgement by planning and legal professionals can minimise the need to resort to confrontational legal measures. Where appropriate, and particularly where a breach of planning control is causing harm, officers recognise the need to use the powers at their disposal.
- 5.4 The sub-committee was keen to take a view on the balance of judgements for and against using various enforcement tools.
- 5.5 In particular we explored the use of temporary stop notices, which were introduced by the Planning and Compulsory Purchase Act 2004. Temporary stop notices can be used when a local planning authority considers that there has been a breach of planning control so that activity can be stopped immediately, for up to 28 days, whilst the authority decides whether to take formal enforcement action by enforcement notice or breach of condition notice. Temporary stop notices are most effective when they are utilised very quickly once a breach of planning has been identified, not least because that prevents a change of use from becoming established and minimises the scope for arguments about compensation liability (see below).

- 5.6 In order to form an opinion on our council's use of enforcement methods, a benchmarking exercise was undertaken comparing the pattern of activity in Southwark with that in neighbouring boroughs and comparable urban areas elsewhere in the UK. We confirmed that our team's activities are broadly consistent with practice elsewhere.
- 5.7 The objective benchmarking exercise did not reveal on what basis any one planning tool is deemed to be appropriate.
- 5.8 In addition to the benchmarking it was necessary to address the issue of "expediency". Planning enforcement officers explained the current process leading to a judgement on the action to be taken, as follows:
- A possible breach is identified
 - A planning enforcement officer makes a site visit to collect relevant information
 - Enforcement manager assesses the evidence against the policy planning framework, the nature and impact of the infringement and any precedents in the area
 - A recommendation for action is passed to legal services
 - Legal services advise on expedient action
 - If no action is thought expedient a retrospective planning application is invited
- 5.9 There were concerns amongst members of the sub-committee that a lack of clarity of legal opinion on the liability the council may face if it issues temporary stop notices may be affecting their use as a pre-emptive enforcement tool. Independent legal counsel was sought on this issue, and it was confirmed that the use of temporary stop notices does not put the council at risk of compensation liability as long as there is a breach of planning control evident. It is important to note that liability does not arise in circumstances where planning permission for the development the subject of the notice, is granted after the notice has been served.
- 5.10 It was also revealed in the evidence sessions that the resources and systems to capture the necessary information to make a temporary stop notice a viable option are not always available.
- 5.11 Limited resources necessitate prioritisation within the planning enforcement function. The sub-committee endorses the current classification which gives priority one (highest) status to investigating complaints relating to works causing serious harm, defined as follows:
- Works that are irreversible or irreplaceable, or constitute a serious breach of planning control;
 - Unauthorised works to a listed building;
 - Breaches of article 4 directions
 - Significant development within or on metropolitan open land

- Unauthorised development causing serious harm to the character and appearance of a conservation area
- Unauthorised development (building operations and change of use) that seriously affect the vitality and viability of shopping parades

5.12 To make best use of available resources, and make dispute resolution as efficient as possible, the sub-committee feel that where breaches of planning control fall into the top priority for the council, the use of temporary stop notices is the least costly measure, both in terms of impact on the business/individual activity concerned, and in terms of enforcement resources.

Recommendations:

7. Where a priority one breach of planning control is identified, there will be a presumption in favour of the use of a temporary stop notice by the legal and planning enforcement officers.
8. Systems should be put in place to facilitate decision making for priority one breaches which are fast enough to make the use of temporary stop notices by the council a viable option.

6. Schemes of delegation

- 6.1 The sub-committee considered the scheme of delegation on planning enforcement currently in operation, and whether this is appropriate for the efficient operation of the enforcement service.
- 6.2 The current arrangement is a simple approach with the delegation of all planning enforcement matters to the head of development management.
- 6.3 Benchmarking evidence was considered on the delegation schemes in some other local authorities.
- 6.4 The benchmarking exercise demonstrated that overall there is a trend towards maximising delegation, but with some variation of approach, and referral to elected members where there is uncertainty over:
 - Whether something falls within existing agreed policies and plans (departure from the development plan)
 - If there is a judgement to be made about expediency
 - If a decision is likely to be controversial
 - If an elected member “calls in” an enforcement action/lack of action
- 6.5 The sub-committee discussed the merits of the various approaches vis a vis the simple 100% delegation approach.

- 6.6 Overall, because of the technical and legal nature of decisions to be taken, and the need for rapid action, the current scheme of delegation was considered to be appropriate for operational issues in the majority of cases. However, while the 100% delegation approach has the advantage of simplicity, there are sound democratic arguments for there to be at least some scope for decision-making by members.
- 6.7 It was agreed that on enforcement matters which are not straightforward it would be useful for the head of development management to be able to refer matters upwards as appropriate. We did not feel it appropriate to be prescriptive about the categories of case that might be referred for member decision. We felt the simplest approach would be to amend the Constitution to give the Head of Development Management a broad discretion to relinquish a decision to members. However, we anticipated that in practice, the sort of cases likely to be considered appropriate for member decision would be in particular:
- where officers propose not to take enforcement action on a controversial issue
 - on matters of strategic importance
 - on matters which, though minor individually, have a considerable cumulative effect
 - where a decision could set a precedent establishing or varying priorities for enforcement action
- 6.8 We recognised that these would invariably be “after the event” cases in which the issue is whether or not to issue an enforcement notice or possibly a breach of condition notice; or to take self-help steps to give effect to an enforcement notice (eg. demolishing a building where the developer has failed to comply with a requirement to do so). Members would not have a role in taking decisions about pre-emptive measures such as temporary stop notices, because there the speed of decision making is crucial. There was consideration of the role of different bodies in the council’s decision making structure, including community councils which currently have a role to play in the context of planning applications. In the case of enforcement, the sub-committee feel that the most appropriate place of referral for planning enforcement decisions would be the Planning Committee. This would avoid inconsistency of approach, and would reflect the fact that decisions relinquished to members are likely to include cases that are either of strategic importance or locally controversial. However, we emphasise that community councils should nevertheless receive regular reports about enforcement in their area: see below.
- 6.9 The sub-committee’s provisional view is that this change could be achieved by a simple amendment to Part 3F of the Constitution by adding a new matter to the ten already reserved for decision by the Planning Committee along the following lines:

“In cases referred to them by the appropriate chief officer, head of service or head of business unit, to consider and determine the taking of enforcement steps.”

Recommendations:

9. The Planning Committee should receive an annual report on planning enforcement containing both quantitative and qualitative information, to allow it to set policy priorities effectively.
10. The scheme of delegation in the Council’s Constitution should be amended to facilitate the referral (at the discretion of the Head of Development Management) of planning enforcement decisions to the Planning Committee.

7. Issues not covered in the review

- 7.1 During our scoping discussion the sub-committee agreed the parameters for the review.
- 7.2 We agreed that it would be inappropriate to focus on issues which impinge upon planning policy, as discussions of this type would require the collection of a much more extensive evidence base, and could only be done as it should be with the engagement of a broad range of organisations, individuals and expertise. The time available for this review was insufficient to undertake this scale of work.
- 7.3 Similarly, it was agreed that it was not possible to undertake a wide review inviting general evidence from local residents and customers of the planning service. The level of interest and potential for involvement of interested members of the community was acknowledged by the sub-committee.
- 7.4 It was agreed that, although this review could not involve more people, enhanced and broader communication on planning enforcement issues, by extending the availability of quarterly monitoring reports to all eight community councils in the borough, would be recommended for immediate implementation. It was noted that at least two community councils have already adopted this practice, and members of the council and the public have found this very helpful.
- 7.5 The need for better communication with individuals who report possible breaches of planning was also discussed. Improved transparency around processes is desirable, and it was agreed that in future, the acknowledgement of receipt of a complaint relating to a possible breach should include a copy of the enforcement protocol so that complainants could better understand the enforcement process.

Recommendations:

11. Each community council should receive regular (at least quarterly reports) on planning enforcement issues, building upon the pilots already underway. These should normally be presented by an officer who could answer questions.
12. Individuals or organisations that report a possible breach of planning should receive a copy of the enforcement protocol to improve communication and transparency around processes.

8. Conclusion and summary of recommendations

- 8.1 The recommendations made in this review advocate small scale changes to the planning enforcement processes and procedures of the council.
- 8.2 If made, though small in scale, they would have a substantial impact on the effective delivery of the service, by:
 - setting a clear framework for joined-up working with other regulatory regimes;
 - improving clarity of roles;
 - establishing clear priorities for use of resources; and
 - providing better information and guidance for users of the planning service

Summary of recommendations:

1. The implementation of increased and systematic internal communication and training between planning enforcement and other regulatory functions of the council, including access to computerised record systems.
2. Particular focused training should be introduced in the “evolution of premises” issue.
3. A common system should be developed for all enforcement teams across the council to pass information in a timely way to planning enforcement officers when they become aware of a possible breach of planning control.

4. The development of clear guidance for businesses and individuals on planning enforcement issues, especially around licensing. This advice should be developed with full engagement of those members of the public who are already actively involved in planning enforcement issues.
5. In future, when differential and potentially contradictory compliance requirements are made by planning enforcement and other regulatory regimes, a clear “joint” explanation be offered to minimise misunderstanding.
6. Development of systematic closer working arrangements between the planning enforcement and building control functions of the council.
7. Where a priority one breach of planning control is identified, there will be a presumption in favour of the use of a temporary stop notice by the legal and planning enforcement officers.
8. Systems should be put in place to facilitate decision making for priority one breaches which are fast enough to make the use of temporary stop notices by the council a viable option.
9. The Planning Committee should receive an annual report on planning enforcement containing both quantitative and qualitative information, to allow it to set policy priorities effectively.
10. The scheme of delegation in the Council’s Constitution should be amended to facilitate the referral (at the discretion of the Head of Development Management) of planning enforcement decisions to the Planning Committee.
11. Each community council should receive regular (at least quarterly reports) on planning enforcement issues, building upon the pilots already underway. These should normally be presented by an officer who could answer questions.
12. Individuals or organisations that report a possible breach of planning should receive a copy of the enforcement protocol to improve communication and transparency around processes.

Scrutiny Sub-Committee C membership

Councillor Toby Eckersley (Chair)

Councillor Anood Al-Samerai (Vice-Chair)

Councillor Richard Livingstone

Councillor Jane Salmon

Councillor Robert Smeath

(Councillor Gordon Nardell also participated in this review as a reserve member for Councillor Livingstone at the second meeting on this project and instigator of the review)

Only Councillors Toby Eckersley, Richard Livingstone and Gordon Nardell participated in this scrutiny review.

Item No.	Classification: Open	Date: 15 June 2010	Meeting Name: Cabinet
Report title:		Parental Engagement Review	
Ward(s) or groups affected:		All	
From:		Scrutiny Sub-Committee Children's Services and Education Scrutiny Sub-committee	

RECOMMENDATION

1. That the Cabinet considers the comments of the Strategic director of children's services in response to the recommendations of the Children's Services and Education Scrutiny Sub-committee (scrutiny report attached as appendix 1)

BACKGROUND

2. The Children's Services and Education Scrutiny Sub-committee undertook a review of parental engagement in primary schools. The primary aim of this report is to suggest further areas for investigation and investment. It is hoped this will compliment the investment Southwark already has made in parental engagement and the action research project currently being led by external consultant, Dr Jan McKenley.
3. The sub-committee's report was considered by overview & scrutiny committee at its meeting on 8 March 2010.
4. The response from the Strategic director of children's services to scrutiny's recommendations is set out below.

KEY ISSUES FOR CONSIDERATION

Comments from the Strategic Director of Children's Services

5. Scrutiny's investigation into this area is very welcome. Officers consider the better involvement of parents in their children's education to be key to delivering further gains in achievement by our primary schools.

Recommendations	Officer response
1. That the council support and encourage parents in their role as informal educators.	This is supported strongly and will be secured through expanding the work of our ethnic minority achievement (narrow the gap) strategy, Children's Services have: <ul style="list-style-type: none"> • identified existing good practice in schools. Analysis has shown a range of strategies and approaches are being used to support parental involvement and engagement and

	<p>these examples will be disseminated.</p> <ul style="list-style-type: none"> invited schools to contribute to the Local Authority policy on parental support and to conduct their own action research projects.
2. Fathers and male carers of children have a vital role in children's education and this should be promoted and encouraged.	<p>Promotion of the very important role of fathers and male carers in supporting children's learning will be highlighted in all relevant work.</p> <p>The example highlighted of Kintore Way Nursery School where the children were encouraged to send personalised invitations to a significant male in their lives to attend regular play themed events, resulting in approximately a hundred fathers and carers being involved and benefitting from engaging in their children's education, along with similar examples, will be shared as good practice to schools across the Borough.</p>
3. That family support is particularly targeted at transition times.	<p>Our Parenting Programme provides a full explanation and details of support available to families and particularly highlights the needs of vulnerable children. It is recognised that managing the transition from nursery or home to primary school, and later from primary to secondary education, is an important time for a child to be supported as they adjust to their new setting. We will evidence our work on parenting programmes and stress these issues in our work with partners.</p>
4. That the council promotes parenting courses that increase and develop parents' skills	<p>We will gear our parenting courses to increase and develop parents' skills and respond to headteachers' requests for support in this area through providing a guidance document and supporting professional development which summarises key research and highlights effective practice, this would support implementation of the Parenting Strategy.</p>

- 6 The following areas are part of our mainstream work programme to enhance the contribution of parents in their children's learning:

- Extension work to embed key messages from Southwark's Parents as Partners in Early Learning programme through the development of Parent mentors, parent workshops and courses on supporting early learning and children's use of schemas
- Extension work to embed the key messages on parent partnerships from Southwark's Every Child A Talker (ECAT) and the Social & Emotional Aspects of Development (SEAD) programmes with parent mentors, early years settings, children's centres and schools
- Advanced training using the National Children's Bureau Parents and Early Learning approved training
- Developments from the Department for Children, Schools and Families (DCSF) research this year into the Home Learning Environment (which is based with 20 early years settings in Southwark.)

Background Papers	Held At	Contact
Children's Services and Education Scrutiny Sub-committee /Overview & Scrutiny Committee - minutes and reports	Scrutiny Team Tooley Street London SE1 2TZ	Julie Timbrell, Scrutiny project manager Tel: 020 7525 0514

APPENDICES

No.	Title
Appendix 1	(Scrutiny report)

AUDIT TRAIL

Lead Officer	Shelley Burke, Head of Overview & Scrutiny	
Report Author	Julie Timbrell, Scrutiny Project Manager	
Version	Final	
Dated	04 June 2010	
Key Decision?	No	
Consultation with other officers / directorates / Cabinet member		
Officer Title	Comments Sought	Comments Included
Strategic director of communities, law & governance	No	
Strategic director of children's service	Yes	

PARENTAL ENGAGEMENT REVIEW

Report of the Children's Services and Education
Scrutiny Sub-Committee

March 2010



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1. Introduction and background

- 1.1 The children's services and education sub-committee decided to conduct a review on parental engagement after receiving a briefing on: Building a 21st Century Schools System, Your Child, Your Schools, Our Future at a meeting in September 2010. A key emphasis in the White Paper is the theme of parental responsibility. Research indicated that a common feature of the lowest performing primary schools was a lack of parental involvement with the education process. There are some outstanding Southwark schools in very challenging neighbourhoods that have worked very hard to engage parents more, and parental engagement may be the biggest lever not yet used in the borough to effect further improvements. The review therefore decided to focus on parental engagement in primary schools.
- 1.2 The review took place from September 2009 to March 2010. It became apparent that parental engagement is a huge topic that the sub-committee had limited capacity to review. The review is therefore restricted to noting good practice in Southwark and in recent research.
- 1.3 The primary aim of this report is to suggest further areas for investigation and investment. It is hoped this will compliment the investment Southwark already has made in parental engagement and the action research project currently being led by external consultant, Dr Jan McKenley. This project will use action research to discover how Southwark can best build parental engagement processes with parents in homes where an effective learning culture may not be evident.

2. Methodology

- 2.1 The methodology consisted of:
- Review of research and scrutiny reports from other councils
 - Officer presentation on the theme of 'Parental Engagement'
 - Sub-committee members sharing good practice
 - Visit to parent governor event 'Promoting good parenting; Wednesday, 24 February; led by Commissioner for Parenting and CAMHS and review of 'Incredible Years: Parenting Pathfinder DVD' (see feedback report)

3. Findings and recommendations

- 3.1 The sub-committee noted the importance of family learning and the key role that parents play as informal educators. It was noted that reports and research conducted by Professor Alma Harris and Dr Janet Goodall indicated that:

'Parents have the greatest influence on the achievement of young people through supporting their learning in the home (parental engagement) rather than supporting activities in the school (parental involvement). It is their support of learning in the home environment that makes the maximum difference to achievement' (1).

Recommendation:

1. That the council support and encourage parents in their role as informal educators.

- 3.2 Research indicates that children are more disadvantaged by a lack of parental engagement in their learning than by social class (2). The sub-committee considers it important that all parents and families are encouraged to engage with their children's education, particularly the most disadvantaged, and favoured initiatives that communicate to all parents to avoid stigmatising or alienating parents and carers.
- 3.3 The sub-committee heard evidence that the father's role in their child's education is particularly important and there is considerable research demonstrating that a father's involvement is significantly related to positive child outcomes (3). However it was also noted that some children do not have an active father but that other significant males in children's lives can still be engaged. The importance of grandfathers, uncles, stepfathers and others was noted.
- 3.4 Kintore Way Nursery School has successfully engaged male carers in their children's education by setting up regular play themed events. Children are encouraged to send personalised invitations to a significant male in their lives. Around a hundred fathers and carers have got involved and benefited.
- 3.5 Members welcomed this approach and considered that it is vital that initiatives do not undermine fathers but instead promote the importance of their roles and empower both fathers and male carers.

Recommendation:

2. Fathers and male carers of children have a vital role in children's education and this should be promoted and encouraged.

- 3.6 Research evidence and a number of scrutiny reports from London boroughs has demonstrated that transition from Early Years or home into primary school and later from primary school into secondary school is a crucial time. Support at this time is particularly important and can make a significant difference to subsequent attainment. Children from families experiencing multiple stress factors are particularly vulnerable (4, 5 and 6).

Recommendation:

3. That family support is particularly targeted at transition times.

- 3.7 Members heard from the assistant director of children’s services (leadership & learning services) about the latest DEMOS report on parenting as character building (DEMOS is a London-based think tank) (7). This drew attention to growing evidence that what matters most are character capabilities – application, self-regulation and empathy - and that these make a vital contribution to life chances, mobility and opportunity. Confident, skilful parents adopting a ‘tough love’ approach to parenting, balancing warmth with discipline, seem to be the most effective in terms of generating these key character capabilities.
- 3.8 Southwark has a commissioner for parenting and child and adolescent mental health services (CAMHS) and the council runs a valuable scheme, ‘Incredible Years – parenting pathfinder’, which teaches and enhances these skills using peer support in a supportive and non judgmental way.

Recommendation:

4. That the council promotes parenting courses that increase and develop parents’ skills.

4. Summary of recommendations

Recommendations:

That the executive undertakes further research into increasing parental engagement, taking on board the sub-committee’s specific recommendations as set out below:

1. That the council and schools support and encourage parents in their role as informal educators.
2. Fathers and male carers of children have a vital role in children’s education and this should be promoted and encouraged.
3. That family support is particularly targeted at transition times.
4. That the council promotes parenting courses that increase and develop parents’ skills.

Children’s Services and Education Scrutiny Sub-Committee

Councillor Barrie Hargrove (Chair)
 Councillor Jelil Ladipo
 Councillor Jonathan Mitchell
 Councillor Veronica Ward

Councillor Nick Vineall (Vice-chair)
 Councillor Eliza Mann
 Councillor Sandra Rhule

Education representatives:

Reverend Nicholas Elder

Sharon Donno

References

- 1 Engaging parents in raising achieving; do parents know they matter? A research project commissioned by the specialist schools and academies trust. (2007) Professor Alma Harris and Dr Janet Goodall
(www.dcsf.gov.uk/research/data/uploadfiles/DCSF-RW004.pdf)
- 2 & 3 The impact of parental involvement on children's education. Department for Education and Skills
- 4 Helping families support children's success at school. Published by Save the Children: Professor Alma Harris of the Institute of Education, University of London and Dr Janet Goodall of the Institute of Education, University of Warwick Review of Research Evidence (2009)
([www.savethechildren.org.uk/en/docs/Helping_Families_Review_of_Research_Evidence_\(5\).pdf](http://www.savethechildren.org.uk/en/docs/Helping_Families_Review_of_Research_Evidence_(5).pdf))
- 5 Tower Hamlets scrutiny report on Parental Engagement in Secondary Education (2009)
(www.towerhamlets.gov.uk/lgsi/1001-1050/1031_overview_and_scrutiny/scrutiny_reviews.aspx)
- 6 Haringey scrutiny review of parental involvement in education (2004)
(www.haringey.gov.uk/scrutiny_review_of_parental_involvement_in_education.pdf)
- 7 Building character, parents are the principle architects of a fairer society. Jen Lexmond & Richard Reeves (2009)
(www.demos.co.uk/files/Building_Character_Web.pdf?1257752612)

Promoting Good Parenting 24th February 2010
Feedback report

The session began with some role-play. We were placed in the role of a parent or teacher dealing with common communication issues that either may face, regarding a child's education and the negative attitudes from both sides that could hinder a child's progress.

The session then offered some valuable insights into the multiple pressurised roles a mother may face on a daily basis, while trying to juggle home life; work; her child's home-work, as well as other day-to-day issues. The pressures became more acute the more children involved and the lack of regular partner support.

This led onto the issue of 'absent fathers' and the barriers that could cause a lack of support from this group, especially where there had been a break-up in a relationship and feelings were still running high. The challenge of what it means to be a good father today was something that was mentioned quite frequently. However, to what extent fathers felt capable of playing a positive role in their child's education was unclear. Nevertheless, where fathers were able to engage the evidence provided suggested that the benefits to both boys and girls in terms of their character and ability to confidently engage with others was good. It found that girls in particular formed meaningful relationships and were less likely to be promiscuous.

It was mentioned that the traditional male and female roles still appear to be in place i.e. the male going out to work and the female responsible for the children and the home, although this attitude is gradually changing.

In broken relationships, women were described as 'gatekeepers' to the father/child relationship, with regard to access and supporting a child's education. This sometimes can prove problematic, especially if domestic struggles are on-going as mentioned earlier. However, the importance of having both parents involvement was encouraged as of greatest benefit for the child. An excellent short video showed one father emphasising the need for him and his estranged partner to put their differences aside, for the benefit of their child.

Statistical evidence presented to us showed that the impact a family has on a child's education gradually decreases in favour of the school, as they progresses through the schooling system. So as the child becomes older it would seem that the relationship and engagement between the school and parents becomes more important for the child. However, given this fact, it was surprising to learn that very few secondary school governors were present at this event or the previous one.

It was encouraging to see the many varied efforts and initiatives aimed at engaging parents with their child's education; particular successes have been made with reaching fathers through breakfast clubs, monthly meetings at local pubs and making the school environment more male friendly.

In conclusion, I felt that this was a very informative and well balanced meeting that took into consideration the importance of all those involved with a child's education, parents, teachers and the wider community, something which is not only timely, but relevant to the topic of parental engagement.

Colin Elliott

Item No.	Classification: Open	Date: June 2010	Meeting Name: Cabinet
Report title:		Early Years Review	
Ward(s) or groups affected:		All	
From:		Scrutiny Sub-Committee Children's Services and Education Scrutiny Sub-committee	

RECOMMENDATION

1. That the cabinet considers the comments of the Strategic director of children's services in response to the recommendations of the Children's Services and Education Scrutiny Sub-committee (scrutiny report attached as appendix 1)

BACKGROUND

2. The Children's Services and Education Scrutiny Sub-committee undertook a review of Early Years. The review principally looks at the delivery of the free early education offer. It considers :
 1. the impact of a new funding regime, the Single Funding Formula (SFF), on delivery of the free early education offer
 2. take up of the early education offer
 3. how this could be better targeted
 4. how the early education offer fits in with wider subsidised day care provision
3. The sub-committee's report was considered by overview & scrutiny committee at its meeting on 8 March 2010.

KEY ISSUES FOR CONSIDERATION

Comments from the Strategic Director of Children's Services

4. We welcome the scrutiny review on early years which has helpfully identified the pinch points and difficult issues from a family's perspective.
5. The response to scrutiny's recommendations is set out below:

Recommendations	Officer response
1. Provision of the Free Early Education offer (FEE) in longer days of 5 or 6 hours may meet most parents' needs better. The maintained sector may need capital investment to provide additional	There is some concern that a six hour day which is focused on learning is too long for children who have just reached four. As part of the Childcare Sufficiency Assessment we will be getting further information on preferred patterns of

<p>space for providing lunch etc; permission from the Council to vary hours and assistance with changes to staffing.</p>	<p>provision from parents. Most PVI providers can already offer 5 or 6 hour days. The FEEE regulations state that provision must be educationally based.</p> <p>The maintained sector has had the opportunity to bid for funding to make modifications to enable them to offer a more flexible approach to entitlement and many have availed themselves of this opportunity.</p> <p>The council now provides support to schools on planning staffing in the early years but the costs of additional staff has to be borne by the school.</p>
<p>2. Provision of nursery education alongside wrap around care means that parents can combine their FEE and then purchase additional care in order to work or study. It may be worth considering this as an option for maintained sectors.</p>	<p>We agree that this is important and this option is available to the maintained sector, and is a requirement of them as part of the extended services offer.</p>
<p>3. Investment in the child-minder option to deliver FEE will expand provision, offer flexibility and be welcomed by parents</p>	<p>We agree and have committed further investment in childminders to encourage those seeking appropriate qualifications so that they are able to offer the FEEE.</p>
<p>4. Ensure settings can maintain spare capacity to respond to families in crisis and looked after children.</p>	<p>We agree that a number of places need to be available on an emergency basis. We are planning to do this through spot purchase across the sector, recognising that to be viable settings they will need to fill their places and the council has limited money to keep places empty.</p>
<p>5. Backdate support funding for children with special needs to the start of their time in nursery for children who later receive a more extensive statement.</p>	<p>Children will have their needs met from the day they join a nursery. The fact that a formal statementing process sometimes lags behind their admission is inevitable. Establishing a principle of backdating funding would potentially set a precedent for all cases where a child progresses to a statement which would be very expensive, and would not necessarily improve the opportunities for the individual child.</p> <p>Nonetheless, we have been looking at establishing a more co-ordinated approach to resourcing of children with additional needs so that appropriate support packages are immediately available.</p>

6. Prioritise daycare places for parents with a low disposable income who are working or studying.	For part-time provision, parents with low disposable incomes should not be disadvantaged as FEEE is (currently) an entitlement. Members could set this as a first criterion for the provision of full time places, alongside the requirement to provide for looked after children and vulnerable children.
7. Give urgent consideration to providing adequate transition funding for children moving from daycare to nursery school in relevant Southwark Children's Centres so that affected children who are not '3 enough' still receive adequate funding to sustain a place.	This issue stems from the proposal to introduce a single funding formula (SFF) in April 2011. It is acknowledged nationally that the single funding formula creates problems for nursery schools and the current policy is that its introduction should not adversely impact on such schools. In developing proposals for the SFF we will need to consider how to address the issue of children entering who have yet to reach 3 years of age. This could potentially be covered through the "2 year old offer" although the future of this policy is in doubt.
8. Allow parents to be able to send a child to nursery gradually even if they don't fully 'participate' until later in the term.	We will issue further guidance to ensure that parents and settings are aware of this possibility.
9. Consider if extra work needs to be done to gather the views of parents of disabled children to understand more about the needs of this group.	There is a specific strand in the current Childcare Sufficiency Assessment on gaining the views of parents with a disability and parents of children with a disability. This will be able to inform any future policy around provision for these groups.
10. Consider children's centres acting as hubs to promote good practice around meeting the needs of disabled children	The children's centres are designed to be hubs within local communities so that all the needs are met. However, some of the needs of disabled children are highly specialist and the Child Development Centre at Sunshine House remains the main hub of good practice in the borough.
11. Consider linking up outreach workers from children's centres to work with other local providers to reach out to disadvantaged parents to promote take up of early education (FEE).	This is a key function of the outreach workers and further efforts must be made to seek out and encourage families not accessing any provision to do so from any type of local provider.
12. Consider using the Day Care Trust Parent Champion Project toolkit; particularly to reach target groups	We welcome the suggestion and will incorporate the toolkit in our work. We will use this to develop what is already a

such as families with a disabled child, teenage parents, BME groups etc to promote take up of early education (FEE).	strong group of parent mentors, many of whom are from the BME community.
13. Concentrate on giving more family support around admission and transitions particularly through more regular, sustained and sensitive communication including home visits where appropriate.	We agree that centres must place further emphasis on support around admissions and transition. Each centre has responsibility for this which can be reinforced with protocols and the specific assessment record intended to provide schools with an accurate picture of the child.

Background Papers	Held At	Contact
Children's Services and Education Scrutiny Sub-committee /Overview & Scrutiny Committee - minutes and reports	Scrutiny Team Tooley Street London SE1 2TZ	Julie Timbrell, Scrutiny project manager Tel: 020 7525 0514

APPENDICES

No.	Title
Appendix 1	(Scrutiny report)

AUDIT TRAIL

Lead Officer	Shelley Burke, Head of Overview & Scrutiny	
Report Author	Julie Timbrell, Scrutiny Project Manager	
Version	Final	
Dated	04 June 2010	
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 children's service	Yes	Yes

EARLY YEARS REVIEW

Report of the Children's Services and Education
Scrutiny Sub-committee

March 2010



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1. Introduction and background

- 1.1 The children's services and education scrutiny sub-committee decided in September 2009 to do a review of early years. The review principally looks at the delivery of the free early education offer and the impact of a new funding regime, the Single Funding Formula (SFF), on this provision. The review also addresses take up of the early education offer, how the early education offer fits in with wider subsidised day care provision and lastly considers how this could be best targeted.
- 1.2 Members of the sub-committee chose this as a review topic for a number of reasons including:
- Concern about the possible negative impact of the Single Funding Formula on the economic sustainability of settings and therefore their ability to deliver the early education offer;
 - Anecdotal stories of a lack of provision in East Dulwich;
 - A plethora of evidence that good early education can positively impact on children's emotional, social and cognitive development;
 - Concern with take-up of free early education places by families and whether the provision of nursery care meets the needs of children and families;
 - Concern that more disadvantaged and vulnerable families were not accessing the Free Early Education offer.

2. Key evidence considered

- 2.1 Key evidence we considered included:
- Review of documents produced by officers at the request of sub-committee members;
 - Review of existing local authority documents;
 - Five settings were visited: Ivydale Nursery School; 1st Place Children's centre; Robert Browning Nursery School; Kintore Way Nursery School (based in a children's centre) and Puddleducks (private nursery). *[Reports for visits are separately written up and available];*
 - One to one interviews with two parents. *[Reports for visits are separately written up and available];*
 - Consultation with parents through attending the Parent Participation Forum. *[Report attached as appendix].*
- 2.2 The Parent Participation Forum (PPF) builds on the work of local forums and partnerships where parents play an active part in decision-making and consultation, to create a Southwark-wide early years forum for parents. The forum is developed and supported to feed into and contribute to the planning and development of services for children, young people and families. The forum particularly relates to and responds to the priorities and targets originally set by the 0 – 6 sub partnership, and Children's Centres Development programme. The group meets monthly. Membership currently runs at 45 parent members, of whom 90% are bi-lingual.

Background

3. Free Early Education Offer (FEE)

- 3.1 The FEE is the government funded early years provision that every child should be able to access. All three and four year olds are currently entitled to 12.5 hours of free early education for 38 weeks of the year. This applies until they reach compulsory school age (the term following their fifth birthday). The early education can take place in nurseries, play-groups, pre-schools or with qualified child-minders.
- 3.2 All settings receiving government funding to provide free early education to three to five year olds must:
- be included in the local authority directory of providers;
 - help children progress towards the 'early learning goals' set out in the early years foundation stage;
 - be inspected regularly by Ofsted.
- 3.3 This means that a child should get a good quality early years education, regardless of which type of setting they attend.
- 3.4 The early years foundation stage emphasises learning through play to develop cognitive skills and children's confidence, emotional and social well being (ref.1).

4. Single Funding Formula (SFF)

- 4.1 The single funding formula affects the delivery of the free early education offer in a number of ways. Originally the SFF was scheduled to be fully implemented by September 2010; however in January 2010 the government decided to delay its implementation for most local authorities and Southwark will be delaying full implementation by a year.
- 4.2 The guidance requires local authorities to plan for four interrelated changes:
- Introduction of funding based on children's 'participation' rather than 'places';
 - Development of a single formula covering all settings;
 - Extension of the free entitlement from 12.5 hours to 15 hours per week term time only;
 - Ensure, as far as possible, that parents have flexibility in using the services.
- 4.3 All non-maintained school settings are already funded on the basis of participation so this change is less likely to adversely impact on these settings. However nursery schools and children's centers are more likely to experience a negative impact as they are currently funded by 'places'. Buffer funding is planned to help alleviate some of the consequences.

4.4 Following discussions with all sectors working in early years Southwark has concluded that the following factors should be taken into account when developing a formula:

- Basic hourly rate;
- Social deprivation supplement;
- Staff qualification supplement.

4.5 The following delivery patterns that form the Core Offer (FEE) have come from the findings of the pathfinder local authorities. These authorities have found these patterns to be popular with parents and deliverable by providers within the national limits designed to protect child development:

3 hours a day over 5 days of the week
5 hours a day over 3 days of the week

4.6 Currently the department for children, schools and families is consulting on two additional models:

6 hours + 6 hours + 3 hours over three days of the week
9 hours + 3 hours + 3 hours over three days of the week

Delivery of any model should not go ahead without assessment of parental demand and local provider capacity to deliver

5. **Types of pre- school education and day care settings**

Pre-school playgroups	Generally take children aged 3-5. Most offer half-day sessions, not all are open all week. Usually non-profit making and run by volunteers. Many parents involved.
Day nurseries	Take children under 5 for whole working day. Run by local authority, voluntary sector, private companies, employers or individuals.
Child-minders	Child-minders look after children under 5 and older children out of school hours. Usually in child-minder's own home. Local authority determines number of children
Private nursery	Take children aged 2-5. Offer full or half day sessions, sometimes including school age children.
Children's Centres	Provide a range of activities for children and families including daycare and nursery provision
State nursery schools	Take children aged 3-4 during school terms and normally offer 5 half day sessions a week.
State primary schools	Take children aged 3-4. Open during term time and offer five half-day sessions a week.
Reception classes	Take children aged 4-5. Some children start off with half day sessions and build to full time.

6. **Focus of the review**

6.1 The review decided to focus on policy development around four areas:

- Delivering the flexible offer;
- Developing a policy around part time and full time places;
- The impact of the SFF on admissions;
- Increasing the uptake of the FEE by disadvantaged, stressed and vulnerable groups.

Context and summary of views

7. **Central government**

7.1 The government childcare strategy has two main aims;

- Promotion of high quality childcare and provision of the early years offer in order to affect positive child development;
- Providing childcare so parents can work in order to combat poverty and deprivation.

8. **Local authorities**

8.1 Southwark Council has a duty to ensure that there is sufficient childcare of good quality that is flexibly delivered to meet the needs of children and families. Local authorities produce a Childcare Sufficiency Assessment every three years. Southwark did this in February 2008 and this was supplemented by further work in December 2008.

9. **Children**

9.1 Research shows that children from the age of three benefit from good quality early years provision. To obtain these benefits it is essential that the provision is delivered to a high standard. High quality early years education impacts positively on children's cognitive, emotional and social development and the impact is particularly measurable on children from disadvantaged backgrounds. High quality care is associated with well trained and educated staff. It can be delivered in a number of settings; what matters most is the development of nurturing relationships and a stimulating environment that promotes learning.

9.2 There is some research showing some moderate adverse affects to children's emotional and social development when children spend too long in centre based day care (ref 2)

10. Parents, families and carers

10.1 The sub-committee considered three main sources of information; Southwark Childcare Sufficient Assessment and Gap Analysis which interviewed parents; two telephone interviews and attendance at the Parent Participation Forum.

10.2 The main concerns for parents are:

- Increasing flexibility
- Reducing the number of providers an individual family has to use
- Assistance with transitions and admission
- Affordability
- More availability of nursery provision
- More provision for disabled children
- Provision located closer to home

10.3 Other issues are:

- Use of informal childcare is high; family members are the most popular choice
- Inflexibility of employers is one of the biggest barriers
- A significant number of parents do not want to use childcare
- Satisfaction with childcare is generally quite high; as choice goes up satisfaction increases

11. Settings

11.1 Summary of how the settings responded to the issues the review is focusing on:

Name/Type of setting	Impact of SFF	Current offer	Admission criteria	Actives to reach disadvantaged families
Ivydale State Nursery School	Neutral	Morning or afternoon FEE	Criteria for places is given to Looked after children Children with special needs Children with a sibling at the school; Nearest maintained Nursery Class or Nursery School.	Home visits

Name/Type of setting	Impact of SFF	Current offer	Admission criteria	Actives to reach disadvantaged families
1 st Place Children's Centre with charity status	Positive	Full time or part time places incorporating the core FEE with wrap around care	A List <ul style="list-style-type: none"> - Looked after children - Children with disabilities - Parent and child live in the catchment area - Sibling attending 1st Place B List <ul style="list-style-type: none"> - Teenage parents in education - Children from lone parent - Training or studying - Starting or returning to work - Using working Tax Credit - Working in the Aylesbury Area 	Outreach Range of family activities
Kintore Way Nursery School in state maintained Children's Centre	Negative	Full time or part time places incorporating the core FEE with wrap around care	Priority for places is given to <ul style="list-style-type: none"> - Looked after children - Children with special needs - Siblings - Nearest nursery - Balanced mix of ages Criteria for full time nursery <ul style="list-style-type: none"> - Vulnerable families - Children with special needs Extended wrap around care <ul style="list-style-type: none"> - Vulnerable families (safeguarding) - Parent/carer working or studying 	Outreach and range of family activities
Robert Browning State primary schools	Slightly Negative	Moring or afternoon FEE	<ul style="list-style-type: none"> - Looked after children - Siblings - Catchment area - Children with special needs – if appropriate funding can be accessed 	Word of mouth and toddler group planed
Puddleduck Private Nursery offering FEE	Slightly Positive	Full time or part time places incorporating the core FEE with wrap around care	<ul style="list-style-type: none"> - are able to match children to places - length of time on the waiting list - referrals from Social Services - siblings and family 	Outreach via Children's Centre

Findings

Responding to flexible offer

12. Settings: present and planned offer

12.1 Present offer:

Nursery schools

The two maintained Nursery Schools we visited offered part time only places term time only; either morning or afternoon for 2.5 hours.

Morning	LUNCH	Afternoon
9.15am – 11.45am		1.15pm- 3.15pm

Children's centres

Children's Centres (Kintore Way Nursery and 1st Place) offered part time for 2 or 3 days a week or full time 5 days a week using these options:

Kintore Way

Wrap around breakfast club	Nursery school	Wrap around after school care
8.15 am – 9.15am	9.15am – 3.15pm	3.15pm - 5.45pm

1st Place

Wrap around	Nursery school	Wrap around
8am – 9am	9am – 5pm	5pm – 6pm

Private nursery

The private nursery offers full time and part-time places

Puddleducks

Full and part time : 8am - 6pm

Proposed response to the flexible offer

- 12.2 The two maintained nursery schools visited offered part time only places term time only; either morning or afternoon for 2.5 hours and they will increase this to 3 hours. One would like to offer full-time place but needs consent from the local authority to do this. The other nursery is considering the possibility of offering part time places over 2 or 3 days but this would need capital investment to provide lunches.

Morning	LUNCH	Afternoon
9.15am – 11.45am	Provided	1.15pm - 3.15pm

13. **Economic issues**

- 13.1 Settings that offered part-time places tended to offer Monday/Tuesday or Thursday/Friday with Wednesday as an optional day or they juggled places according to need. They also offered some variation in hours. This seemed complex but manageable. The private nursery said parents purchasing additional hours was key to remaining economically viable and offering the FEE.
- 13.2 Teacher led early years education is more expensive to provide than wrap around care so some providers adapt their staffing to suit.

14. **Impact of change on provision**

- 14.1 Two nurseries expressed concerns that expanding nursery and day care provision might put pressure on the more traditional morning or afternoon term time provision.
- 14.2 They thought these slots were beneficial to the children as they were not so tired and that it allowed more children to access a pre-school place and smooth the transition to reception class in primary schools. A number of settings were concerned that some parents preferred this pattern but might get squeezed out if settings moved to a longer day pattern.

15. **Parents**

- 15.1 Parents that the sub-committee gathered views from wanted more flexible provision that fitted in with their work or family life. The prevailing view was that slots of 2.5 hours were too short and a comment was made that this hardly left time to take the bus home and then return again. Parents seemed to prefer the longer slots. 5 hours, 6 hours & 9 hours were mentioned as preferred options.
- 15.2 Some parents were using a number of providers for different siblings in different locations and finding the travelling stressful for their children.
- 15.3 They welcomed the child-minder option to expand provision and offer flexibility.
- 15.4 Providers thought that some parents may well want the more traditional morning or afternoon offer and this may suit children well; particularly morning provision. More consultation work would need to be done to see if other parents wanted this pattern. The parents we spoke to all preferred the longer pattern.

Recommendations:

1. Provision of the FEE in longer days of 5 or 6 hours may meet most parents' needs better. The maintained sector may need capital investment to provide additional space for providing lunch etc; permission from the council to vary hours and assistance with changes to staffing.
2. Provision of nursery education alongside wrap around care means that parents can combine their FEE and then purchase additional care in order to work or study. It may be worth considering this as an option for maintained sectors.
3. Investment in the child-minder option to deliver FEE will expand provision, offer flexibility and be welcomed by parents.

16. Developing a policy around part time and full time places

- 16.1 Settings have different status (voluntary, private, maintained) and benefit from different levels of state support. All the settings we looked at benefit from some state support because they have agreed to deliver the FEE. The level of state support varies across settings; some settings such as private nurseries only get help with their capital programs and through network and learning opportunities. Others settings such as children's centres get more intensive state support and this directly subsidise the fees they charge to parents for additional hours of care they offer families over and above the Free Early Education offer.
- 16.2 These places are often desirable because the fees are more affordable than in those in the private sector.
- 16.3 This is a summary of the priorities used by all the different settings visited to set their criteria for admission:

All prioritise	Most prioritise	Some prioritise
Looked after children Siblings at the nursery	Children with special needs/disabilities Parent and child live in the catchment area or nearest nursery	Teenage parents in education Lone parents Using working tax credit Working locally Balanced mix of ages Parents working or studying Starting or returning to work Training or studying Vulnerable parents Safeguarding

- 16.4 Responding to looked after children and families in crisis. Settings said they wanted to be able to respond to families in crisis; whether or not this was a formal policy, as well as the needs of looked after children. Nurseries said that they needed to leave some spare capacity and this had an economic cost.
- 16.5 Although most settings prioritise children with special needs or disabilities some settings had particular expertise in this area; 40 % of Kintore Way children have special needs. Other settings found the slow assessment process a barrier.
- 16.6 Occasionally children with high level special needs will have a statement in place on entry. More typically, this is not the case and the process of assessment is initiated after admission. Such children (those on the autistic spectrum for example) often require high levels of support which goes well beyond that which is funded through the Early Years Action Plus.
- 16.7 A statement is sometimes issued in the child's final term in nursery provision and the attached funding is only provided from the date of issue. The nursery setting has had to provide statement level support from admission but is only reimbursed for a small part of that time.
- 16.8 Inclusive settings which welcome children with special needs are therefore financially disadvantaged every time they make provision before the issue of a statement even though the place could not be sustained without it.

17. Parents

- 17.1 When parents were asked who should get priority for part time and fulltime day care places (which may incorporate the FEE depending on age) they said:
- Everybody should get access; early education is important for all children.
 - Low income families should get priority. They particularly picked out working families with a low disposable income and emphasized that the assessment of income should not be rigidly applied and not exclude those who were ineligible for income support.

Recommendations:

4. Ensure settings can maintain spare capacity to respond to families in crisis and looked after children.
5. Backdate support funding for children with special needs to the start of their time in nursery, for children who later receive a more extensive statement.
6. Prioritise part time and full time daycare places for parents with a low disposable income who are working or studying.

18.

The impact of the SFF on admissions

18.1 There were two main potential adverse impacts noted:

- Nursery schools had concerns that the counting of 'participation' happened early in the term so impacted on gradual transitions. They would like parents to be able to reserve a place even if they fully took it up later in the term.
- There are particular difficulties for nursery schools in children's centres where they also provide day care. The present set-up makes a smooth transition very economically difficult and this is anticipated to get worse by the move to a single point of entry to primary schools in September, as recommended in the Rose report.

Recommendations:

7. Give urgent consideration to providing adequate transition funding for children moving from daycare to nursery school in relevant Southwark Children's Centres so that affected children who are not '3 enough' still receive adequate funding to sustain a place.
8. Allow parents to be able to send a child to nursery gradually even if they don't fully 'participate' until later in the term.

19. Increasing the uptake of the FEE by disadvantaged; stressed and vulnerable groups

- 19.1 According to Southwark's Childcare Sufficiency Assessment, 87% of parents use the FEE offer but this includes schools and this may be lower for children aged 3. The Day Care Trust concluded that nationally disadvantaged children are less likely to take up childcare. In 2004 only 31% of the lowest income families accessed formal childcare versus 52% of the highest income families.
- 19.2 The Childcare Sufficiency Assessment and the Gap analysis both suggested that the evidence indicated that the needs of disabled children and their families were not being met effectively. The report recommended that further information be gathered to more accurately understand the barriers faced by this group.
- 19.3 One of the providers the sub-committee visited had teenage parents from the 'Care to Learn' scheme, however a number of providers said that they did not have a high uptake from this group and they were not using services. One provider did indicate a specialised group meeting in Chumleigh Gardens of young parents. The Gap analysis did not gather data on this group specifically.
- 19.4 Parents want more help with admissions and transitions; both into early years and into primary school. They want more communication from nursery schools about places once they have applied. Two parents commented that they made applications and heard nothing back for many months and then

one received a call the week before term started and the other on the day the nursery place became available. They valued the home visits and wanted more providers to offer one to one slots prior to their child joining the nursery. A comment was made that discussing their child's needs was difficult to do in a classroom in a 15 minute slot. They wanted more support for transition to primary school. There were concerns about the single point of entry plans for primary schools.

- 19.5 Children's centres employ outreach workers and Puddleducks works in partnership with the local outreach worker to reach out to parents.
- 19.6 The Parent Champions Project produced by the Day Care Trust promoted peer to peer networks to reach the most disadvantage groups through the use of word of mouth. This increased the uptake of the formal childcare. (ref 3)
- 19.7 The Childcare Sufficiency Assessment demonstrated that in 2008 63% of providers had an average of 3 vacancies. Only Dulwich had a demonstrable need for more provision; however parents living in Bermondsey and Borough & Bankside were most likely to have concerns over provision. There appears to be a gap between what is on offer and parents' perception of choice.

Recommendations:

- 9. Consider if extra work needs to be done to gather the views of parents of disabled parents to understand more about the needs of this group.
- 10. Consider children's centres acting as hubs to promote good practice around meeting the needs of disabled children.
- 11. Consider linking up outreach workers from children's centres to work with other local providers to reach out to disadvantaged parents to promote take up of early education (FEE).
- 12. Consider using the Day Care Trust Parent Champion Project toolkit; particularly to reach target groups such as families with a disabled child, teenage parents, BME groups etc to promote take up of early education (FEE).
- 13. Concentrate on giving more family support around admission and transitions particularly through more regular, sustained and sensitive communication including home visits where appropriate.

20. Summary of recommendations

Recommendations:

1. Provision of the Free Early Education offer (FEE) in longer days of 5 or 6 hours may meet most parents' needs better. The maintained sector may need capital investment to provide additional space for providing lunch etc; permission from the Council to vary hours and assistance with changes to staffing.
2. Provision of nursery education alongside wrap around care means that parents can combine their FEE and then purchase additional care in order to work or study. It may be worth considering this as an option for maintained sectors.
3. Investment in the child-minder option to deliver FEE will expand provision, offer flexibility and be welcomed by parents
4. Ensure settings can maintain spare capacity to respond to families in crisis and looked after children.
5. Backdate support funding for children with special needs to the start of their time in nursery for children who later receive a more extensive statement.
6. Prioritise daycare places for parents with a low disposable income who are working or studying.
7. Give urgent consideration to providing adequate transition funding for children moving from daycare to nursery school in relevant Southwark Children's Centres so that affected children who are not '3 enough' still receive adequate funding to sustain a place.
8. Allow parents to be able to send a child to nursery gradually even if they don't fully 'participate' until later in the term.
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10. Consider children's centres acting as hubs to promote good practice around meeting the needs of disabled children.
11. Consider linking up outreach workers from children's centres to work with other local providers to reach out to disadvantaged parents to promote take up of early education (FEE).
12. Consider using the Day Care Trust Parent Champion Project toolkit; particularly to reach target groups such as families with a disabled child, teenage parents, BME groups etc to promote take up of early education (FEE).
13. Concentrate on giving more family support around admission and transitions particularly through more regular, sustained and sensitive communication including home visits where appropriate.

Children's Services and Education Scrutiny Sub-Committee

Members who participated in this review:

Councillors:

Councillor Barrie Hargrove (Chair)
 Councillor Nick Vineall (Vice-chair)
 Councillor Eliza Mann
 Councillor Jonathan Mitchell
 Councillor Sandra Rhule
 Councillor Veronica Ward

Education representatives:

Reverend Nicholas Elder
 Jane Hole
 Colin McKenzie Elliot
 Sharon Donno

SOURCES

Research and information

- 1 Early year's foundation stage
<http://nationalstrategies.standards.dcsf.gov.uk/node/83972>
- 2 Centre for excellence for early childhood development. Bulletin; March 2004
<http://www.excellence-jeunesenfants.ca/documents/BulletinVol3No1March04ANG.pdf>
- 3 Parent Champions Project, day care trust, August 2007–March 2008
 Project Highlights
<http://www.daycaretrust.org.uk/pages/parent-champions.html>
- 4 Making a Big Difference case study 11: Working with reception classes in Southwark
<http://nationalstrategies.standards.dcsf.gov.uk/node/180275>

Local authority documents

Childcare Sufficiency Assessment February 2008
 Gap analysis December 2008.
<http://lbsth-dtr01/ieListDocuments.aspx?CIId=144&MIId=3005&Ver=4>

Evidence

Consultation with Parent Participation Forum (PPF)
<http://lbsth-dtr01/ieListDocuments.aspx?CIId=144&MIId=3005&Ver=4>

Summaries from telephone interviews with local parents about Early Years arrangements

<http://lbsth-dtr01/ieListDocuments.aspx?CIId=144&MIId=3004&Ver=4>

Early Years Site Visits

- Visit 1: 1st Place
- Visit 2: Ivydale Nursery
- Visit 3: Kintore Way Nursery School
- Visit 4: Robert Browning Nursery School
- Visit 5: Puddleduck Nursery

<http://lbsth-dtr01/ieListDocuments.aspx?CIId=144&MIId=3004&Ver=4>
<http://lbsth-dtr01/ieListDocuments.aspx?CIId=144&MIId=3005&Ver=4>

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P John / I Wingfield / F Colley / D Dixon-Fyle / J Friary / B Hargove / R Livingstone / C McDonald / A Mohamed / V Ward		Constitutional Team, Tooley Street	4
		Doreen Forrester-Brown	1
Other Councillors	1 each	Trade Unions	
N Coyle / T Eckersley / G Edwards / R Hamvas / D Hubber / M Glover / T McNally / P Noblet / E Oyewole / L Rajan / A Simmons		Roy Fielding, GMB	1
		Mick Young, TGWU/ACTS	1
		Euan Cameron, Unison	1
		Tony O'Brien, UCATT	1
		Michael Davern, NUT	1
		James Lewis, NASUWT	1
		Pat Reeves, ATL	1
		Sylvia Morriss, NAHT	1
		Irene Bishop, ASCL	1
Political Assistants		Others	
John Bibby, Labour Group Political Assistant	1	Shahida Nasim, Audit Commission	1
Dan Falchicov, Liberal Democrat Group Political Assistant	1	Robin Campbell, Press Office	1
		Constitutional Officer	20
Libraries	1 each	Total:	77
Albion / Camberwell / Dulwich / Newington / Peckham / Local Studies Library			
Press			
Southwark News	1		
South London Press	1		
Members of Parliament			
Harriet Harman, MP	1		
Tessa Jowell, MP	1		
Simon Hughes, MP	1		
Corporate Management Team			
Annie Shepperd	1		
Romi Bowen	1		
Deborah Collins	1		
Gill Davies	1		
Eleanor Kelly	1		
Richard Rawes	1		
Susanna White	1		
Duncan Whitfield	1		
		Dated: 24/05/10	