

## Cabinet

Tuesday 7 February 2012

4.00 pm

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

### Membership

Councillor Peter John  
Councillor Ian Wingfield  
Councillor Fiona Colley  
Councillor Dora Dixon-Fyle  
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  
Transport, Environment and Recycling  
Finance, Resources and Community Safety  
Children's Services  
Equalities and Community Engagement  
Culture, Leisure, Sport and the Olympics

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Webpage: <http://www.southwark.gov.uk>

Members of the committee are summoned to attend this meeting

**Councillor Peter John**  
Leader of the Council  
Date: 30 January 2012



# Cabinet

Tuesday 7 February 2012

4.00 pm

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

## Order of Business

Item No.	Title	Page No.
	<b>PART A - OPEN BUSINESS</b>	
	<b>MOBILE PHONES</b>	
	Mobile phones should be turned off or put on silent during the course of the meeting.	
<b>1.</b>	<b>APOLOGIES</b>	
	To receive any apologies for absence.	
<b>2.</b>	<b>NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT</b>	
	In special circumstances, an item of business may be added to an agenda within five clear working days of the meeting.	
<b>3.</b>	<b>DISCLOSURE OF INTERESTS AND DISPENSATIONS</b>	
	Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.	
<b>4.</b>	<b>PUBLIC QUESTION TIME (15 MINUTES)</b>	
	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.	
<b>5.</b>	<b>MINUTES</b>	1 - 10
	To approve as a correct record the minutes of the open section of the meeting held on 24 January 2012.	

Item No.	Title	Page No.
6.	<b>DEPUTATION REQUESTS</b>	
	To consider any deputation requests.	
7.	<b>POLICY AND RESOURCES STRATEGY 2012/13-2014/15 - REVENUE BUDGET</b>	To follow
	To note the local government settlement for 2012/13 and consider the proposed budget for that year. If agreed, the proposed budget will be considered by council assembly in February 2012.	
8.	<b>REPORT FROM THE OVERVIEW AND SCRUTINY COMMITTEE: POLICY AND RESOURCES 2012/13 TO 2014/15 - PROVISIONAL LOCAL GOVERNMENT SETTLEMENT</b>	11 - 12
	To consider a report considered by the overview and scrutiny committee on 9 January 2012 in respect of the policy and resources strategy 2012/13 to 2014/15, provisional local government settlement. This item was deferred from the 24 January 2012 cabinet meeting.	
9.	<b>QUARTERLY REVENUE MONITORING REPORT QUARTER 3, 2011/12, INCLUDING TREASURY MANAGEMENT</b>	13 - 32
	To note the council's financial position against its budget as at 31 December 2011, and to approve budget adjustments.	
10.	<b>QUARTERLY CAPITAL MONITORING REPORT QUARTER 3</b>	33 - 53
	To consider the position of the council's capital budget at the end of the third quarter for 2011/12, based on the ten-year capital programme approved by council assembly in July 2011.	
11.	<b>COUNCIL PLAN INTERIM PERFORMANCE REPORT</b>	54 - 67
	To note the council plan interim performance report for 2011/12.	
12.	<b>LAMBETH AND SOUTHWARK SHARED LEGAL TEAM PROPOSALS FOR THE WAY FORWARD</b>	68 - 75
	To approve proposals to establish a pilot joint litigation team with Lambeth under the leadership of Southwark's new head of litigation and establish a joint regulatory and prosecutions team under the leadership of a Lambeth senior regulatory lawyer; and establish a pilot joint property team in Southwark.	

Item No.	Title	Page No.
13.	<b>LIVESEY MUSEUM UPDATE AND OPTIONS</b>	76 - 84
	To progress negotiations with an end user for the Livesey building within the Objects of the Trust.	
14.	<b>PECKHAM AND NUNHEAD AREA ACTION PLAN PREFERRED OPTION</b>	85 - 101
	To seek approval to adopt for consultation the Peckham and Nunhead Area Action Plan.	
15.	<b>DISPOSAL OF LAND AT COOPERS ROAD, LONDON SE1 (PHASE 4)</b>	102 - 108
	To seek approval to dispose of the council's freehold interest in the land at the Coopers Road Estate, London SE1.	
16.	<b>GATEWAY 1 - PROCUREMENT STRATEGY APPROVAL: INTEGRATED HIGHWAYS MAINTENANCE, PROJECT DELIVERY AND PROFESSIONAL SERVICES CONTRACT</b>	109 - 134
	To approve the procurement strategy for three related areas: integrated highways maintenance, project delivery and professional services.	

**DISCUSSION OF ANY OTHER OPEN ITEMS OF BUSINESS 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. “

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**PART B - CLOSED BUSINESS**

- 17. DISPOSAL OF LAND AT COOPERS ROAD, LONDON SE1 (PHASE 4)**
- 18. COMBINED GATEWAY 1 PROCUREMENT STRATEGY APPROVAL AND GATEWAY 2 CONTRACT AWARD FOR INTEGRATED HIGHWAYS TERM CONTRACT**

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

Date: 30 January 2012



## Cabinet

MINUTES of the OPEN section of the Cabinet held on Tuesday 24 January 2012 at 4.00 pm at 160 Tooley Street, London SE1 2QH

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**PRESENT:** Councillor Peter John (Chair)  
Councillor Ian Wingfield  
Councillor Fiona Colley  
Councillor Dora Dixon-Fyle  
Councillor Barrie Hargrove  
Councillor Richard Livingstone  
Councillor Catherine McDonald  
Councillor Abdul Mohamed  
Councillor Veronica Ward

### 1. APOLOGIES

All members were present.

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

The chair gave notice of the following deputation requests which would be considered for reasons of urgency to be specified in the relevant minute:-

- Camberwell After School Project
- Community Action Southwark
- Southwark Refugee Communities Forum

Comments received in respect of item 9, housing revenue account – final rent setting and budget report 2012/13 were circulated at the meeting.

### 3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

The following declarations were made:

- Item 12. Thames Tunnel - Response to Phase Two Public Consultation. Councillor Catherine McDonald declared a personal and prejudicial interest because she lives in

close proximity to Maguire Street Pumping Station.

- Item 12. Thames Tunnel - Response to Phase Two Public Consultation. Councillor Peter John declared a personal and non prejudicial interest as he lives in the area near to the Maguire Street Pumping Station and in his capacity as Chair of Governors at Riverside Primary School.
- Item 9. Housing Revenue Account - Final Rent Setting and Budget Report 2012/13. Councillor Dora Dixon-Fyle declared a personal and non prejudicial interest as she is currently renting a council garage.

#### **4. PUBLIC QUESTION TIME (15 MINUTES)**

There were no public questions.

#### **5. MINUTES**

##### **RESOLVED:**

That the minutes of the meeting held on 13 December 2011 be approved as a correct record and signed by the chair.

#### **6. DEPUTATION REQUESTS**

This item had not been circulated five clear days in advance of the meeting. The chair agreed to accept the item as urgent as the requests were all received in line with the constitutional deadline for the receipt of deputation requests and were therefore eligible for consideration by cabinet. Additionally the deputation requests related to an item on the agenda for this meeting.

##### **RESOLVED:**

That the following deputation requests be heard in respect of the policy and resources strategy 2012/13-2014/15 revenue budget proposals.

##### **Camberwell After School Project**

The spokesperson addressed the meeting and expressed concern about the cuts being proposed to support 'out of school' activities and Saturday Schools for local children, when it is considered that such services were vital to the education of children and supports their achievements in main stream schooling.

The deputation advised that after 26 years of delivering what was viewed to be essential services to thousands of local children and their hard pressed families, the Camberwell After School Project was now 'at risk.'

The project called on the council to:

- Undertake a full equality impact analysis of these cuts before implementing this policy
- Provide more, not less, support to such services at this time of financial stress
- Investigate ways that schools could be providing more such support
- Review the impact charges being made by the council for extra rent are having on delivery of these vital services to children and parents, and release appropriate premises to become community managed assets.

### **Community Action Southwark**

The spokesperson addressed the meeting to make representation on behalf of the voluntary and community sector regarding the impact of the budget and to draw attention to the work and contribution that the sector makes in the borough.

The spokesperson outlined three key areas of particular pressure:

- Income - competition for non-state funding has increased along with demand
- Workforce – as a result of cuts the voluntary sector workforce has fallen by 8.7%
- Needs - reference to a recent shelter report that outlined there will be 70,000 children without a home in 2012, identification by Age UK of 2 million people with care needs and the impact on legal advice providers in Southwark if proposal to restrict legal aid goes ahead.

Other key issues identified by the deputation included:

- Recommendations and comments relating to the transition fund to mitigate the impact of budget cuts on the sector
- Requesting that the council consider sustainability as a key consideration
- Implementation of a consistent approach to commissioning, tendering and procurement across all council departments
- Moving towards 3 year funding
- Requesting that the council engage the voluntary and community sector as it develops the community infrastructure levy.

## **7. POLICY AND RESOURCES STRATEGY 2012/13-2014/15 - REVENUE BUDGET**

Cabinet were also informed of the additional representations received in respect of this item listed below:

- Letter from Simon Hughes MP to the Leader outlining concerns relating to community councils and funding issues
- A large volume of correspondence received in respect of the school crossing patrols in Dulwich and concerns relating to funding.

The decision on this item was deferred to the next cabinet meeting on 7 February 2012.



**8. REPORT FROM THE OVERVIEW AND SCRUTINY COMMITTEE: POLICY AND RESOURCES 2012/13 TO 2014/15 - PROVISIONAL LOCAL GOVERNMENT SETTLEMENT**

Councillor Catherine Bowman, chair of the overview and scrutiny committee presented the report to cabinet.

Cabinet thanked the committee for their comments and contribution.

A decision on this item was deferred to the cabinet meeting being held on 7 February 2012.

**MOTION OF ADJOURNMENT**

At 5.20pm it was moved, seconded and

**RESOLVED:**

That the meeting stand adjourned for five minutes.

The meeting reconvened at 5.25pm.

**9. HOUSING REVENUE ACCOUNT - FINAL RENT SETTING AND BUDGET REPORT 2012/13**

Additional material was circulated setting out the recommendations of tenants council which met on 23 January 2012, a summary of area housing forum decisions, individual area housing forum feedback, recommendations of home owners council of 10 January 2012 and recommendations of the tenants management organisation forum of 18 January 2012.

**RESOLVED:**

1. That an average rent increase of 7.96% in accordance with the government's required formula rent guidance to be applied to all housing revenue account (HRA) dwellings as set out in paragraph 12 of the report be approved. This is equivalent to an increase of £6.78 per week on average for tenanted properties, with effect from 2 April 2012. Average budgeted dwelling rent for 2012/13 will be £91.94 per week. This percentage increase is also to be applied to estate void and hostel properties from 2 April 2012.
2. That officers be instructed to carry out further evaluation regarding implementing a policy of setting rents for new-build and new-let tenancies at formula rent levels (paragraph 13 of the report).
3. That tenant service charges be set at the same level as 2011/12 as set out in paragraph 15 of the report with effect from 2 April 2012.
4. That the standard charge for non-residential property be set at the same level as

2011/12, but with revisions to the concessionary rates applicable and the introduction of a new rate for private sector garage renters as set out in paragraphs 16 to 27 of the report with effect from 2 April 2012, with the exception that the concession to the standard rent is kept for the over 70 year old group and that a review is carried out of the allocation procedure for both the disabled and over 70 year old groups.

5. That a further standstill in heating and hot water charges for 2012/13 such that each charge remains at the rate determined for 2009/10, 2010/11 and 2011/12 (as set out in paragraph 28 of the report) be approved.

## 10. LONDON COUNCILS GRANTS SCHEME 2012/13

### RESOLVED:

That Southwark Council's contribution to the London Councils Grants Scheme of £421,773 for 2012/13 be approved subject to approval of the budget proposals to be submitted to the council assembly in February 2012.

## 11. SHELTERED HOUSING SERVICE RE-MODELLING

### RESOLVED:

1. That the proposal to consult on the introduction of a service charge for sheltered housing as a result of the proposed loss of supporting people funding, following reductions in council funding as part of the government's comprehensive spending round be noted.
2. That tenants be consulted on the proposal to make a service charge for the sheltered housing service, and on the options available for future provision of a service for sheltered tenants, using an enhanced housing management model, and based on one of the three models set out below:

Option 1 – Restructure of current service model (service hubs call out and warden visiting service). This would involve a landlord service charge to tenants of £21.91 p/w.

Option 2 – Reduced service model (call out) based on a call out emergency response service only. This would involve a basic landlord service charge to tenants of £6.68 p/w.

Option 3 – Enhanced service model (resident warden) based on an on site warden available Monday to Friday from 8am to 4pm each day. This would involve a landlord service charge to tenants of £32.70 p/w. This was confirmed as cabinet's preferred option.

3. That the cost of the transitional protection for existing tenants who are not eligible for housing benefit be met from the saving from adult social care budgets and that any new arrangements be put in place from April 2013.

4. That a review be carried out to consider the conversion of part of the council's sheltered housing stock to extra care provision.
5. That the sheltered stock be subject to an updated options appraisal, especially as demand for both sheltered and extra care housing has increased significantly in recent years. The results of the appraisal will be subject to a further review and are likely to require cabinet input in deciding upon the longer term future of the stock.

## **12. THAMES TUNNEL - RESPONSE TO PHASE TWO PUBLIC CONSULTATION**

At 5.45pm Councillor Catherine McDonald having declared a personal and prejudicial interest withdrew from the meeting while this item was being discussed.

### **RESOLVED:**

1. That the response to the consultation by Thames Water on the proposed preferred route and sites for the Thames Tideway Tunnel be agreed (Appendix A of the report).
2. That it be noted that the Leader will make any final amendments to and sign the council's response to Thames Water (Appendix A of the report), including an amendment to the wording under point 3, Shad Thames Pumping Station.

Councillor Catherine McDonald returned to the meeting at 5.53pm at the conclusion of this item.

## **13. CANADA WATER AREA ACTION PLAN**

### **RESOLVED:**

1. That the report of the Planning Inspector on the Canada Water Area Action Plan be noted (Appendix 1 of the report).
2. That council assembly be recommended to adopt the Canada Water Area Action Plan (Appendix 2 of the report) incorporating the recommendations of the Inspector.
3. That the consultation report (Appendix 3 of the report), sustainability appraisal (Appendix 4 of the report) and equalities impact assessment (Appendix 5 of the report) be noted.

## **14. SOUTHWARK OPEN SPACES STRATEGY**

### **RESOLVED:**

That the open spaces strategy (Appendix A of the report) be approved for consultation and that the consultation plan (Appendix B of the report), equalities impact assessment (Appendix C of the report) and the sustainability appraisal (Appendix D of the report) be noted.

## 15. MOTIONS REFERRED FROM COUNCIL ASSEMBLY

### RESOLVED:

#### Motion on Themed Debate - Housing

That the motion referred from council assembly as a recommendation to cabinet, set out below in italics be noted and agreed.

- (1) *That council assembly believes Southwark faces immense challenges in relation to its housing stock over the next 30 years that can only be resolved by taking a long-term, strategic approach.*
- (2) *That council assembly notes that Southwark Council still owns 31% of Southwark's housing stock (down from 70% in 1981) – around 40,000 homes. Despite this reduction in local authority control, there are nearly 17,000 people on the council's waiting list.*
- (3) *That council assembly believes that decent housing – where communities are mixed – is key to securing a better future for our young people, developing stable and vibrant communities, tackling crime and anti-social behaviour and improving public health.*
- (4) *That council assembly notes the immediate challenge faced on estates with high investment needs including Abbeyfield Estate, Four Squares Estate and Hawkstone low rise and calls for dialogue between council and tenants and leaseholders to continue.*
- (5) *That council assembly notes the uncertainty many tenants and leaseholders faced under the last housing investment programme, and welcomes the new £326 million, five year programme which will ensure every council home is warm, dry and safe by 2015/16.*
- (6) *That council assembly also welcomes the review of leaseholder charges to ensure Southwark has an accurate, fair and transparent system of charging leaseholders for the services they receive.*
- (7) *That council assembly notes the focus of the debate as outlined to all councillors in advance:*
  - *How do we balance the increasing demand for the council to supply housing with the need to maintain existing stock and with the limited geographical and financial resources available?*
  - *The proportion of housing stock in the private rented sector has ballooned in the last 30 years to a point where the numbers of private rented, privately owned and council homes are roughly equal. How do we ensure tenants rights and responsibilities are guaranteed in a sector over which the council has less control?*
  - *What role can other social landlords play in helping to ensure we deliver the housing which Southwark needs?*

- (8) *That council assembly welcomes the council's decision to set up an independent housing commission to investigate these issues outlined above and calls on members and residents to contribute their views.*

### **Retention of School Crossing Patrols in Dulwich**

#### **RESOLVED:**

That the motion referred from council assembly as a recommendation to cabinet, set out below in italics be noted and agreed.

- (1) *That council assembly;*
- *Notes the unprecedented financial situation the council must deal with following estimated Tory/Liberal Democrat government cuts over three years of £90 million to the council's non-housing budget.*
  - *Notes that as part of looking for all possible sources of funding or ways of continuing to run school crossing patrols, senior council officers are currently in discussions with local schools; both private and community and local residents across the borough.*
- (2) *That council assembly further notes following the deliberations of the Democracy Commission, the cabinet intends to propose as part of the forthcoming budget process the introduction of a cleaner, greener, safer revenue budget, equating to £10,000 per ward, for community councils to determine from 1 April 2012.*
- (3) *That, therefore, council assembly invites Dulwich and those community councils affected by previously agreed budget savings to school crossing patrols to consider whether they wish to prioritise the continued funding of those crossing patrols as part of this cleaner, greener safer revenue spend from 2012/13 onwards.*

### **Safer Neighbourhood Team Sergeants**

#### **RESOLVED:**

That the motion referred from council assembly as a recommendation to cabinet, set out below in italics be noted and agreed.

- (1) *That council assembly regrets the loss of five safer neighbourhood team sergeants in Southwark which is a direct result of the government's 20% cut in the police grant. Council assembly further regrets the decision by the Mayor for London to make these cuts irrespective of the level of crime in any borough.*
- (2) *That council assembly notes that MPs from all parties had an opportunity to vote against this 20% cut in funding if they wanted to preserve police numbers in Southwark. It welcomes the fact Harriet Harman and Tessa Jowell voted against this cut, but regrets that Simon Hughes, once again, abstained.*
- (3) *That council assembly notes that the council's budget allocated £5.5 million in*

*contingency funds and that the figure of £9.5 million is incorrectly calculated. Council assembly further notes that the quarter 2 revenue monitoring report considered by cabinet on 22 November indicates that £2.6 million of this contingency fund may need to be used to offset pressures in departmental budgets this year.*

- (4) *That council assembly believes the council has demonstrated its ability to protect people from the worst excesses of the government; for instance, by introducing a £3 million youth fund as a direct response to the cut to educational maintenance allowances and the trebling of tuition fees.*
- (5) *That in the circumstances, council assembly urges the government to reverse its reckless cut to the Metropolitan Police's budget and calls on Mayor Boris Johnson to maintain police numbers in Southwark.*

### **Local Government Pension Scheme**

That the motion referred from council assembly as a recommendation to cabinet, set out below in italics be noted and agreed.

- (1) *That council assembly notes that the local government pension scheme is a sustainable, good quality pension scheme that benefits from being funded and locally managed. It is valuable to employers and employees alike.*
- (2) *That council assembly is concerned by proposals announced by the Chancellor in the last comprehensive spending review to impose an extra 3.2% contribution tax on scheme members, increasing scheme average member contributions from 6.6% to 9.8%.*
- (3) *That council assembly also notes that none of the additional revenue raised from this increase will go towards improving the financial security of the scheme and risks the sustainability of public sector pension schemes in the long term by encouraging people to opt out of occupational schemes because they cannot afford to pay this increase; ultimately costing the tax payer more in the future.*
- (4) *That council assembly welcomes the recent but limited change in position from the government and hopes that this indicates, after months of grandstanding, a willingness to finally enter into proper negotiations with trade unions.*
- (5) *That council assembly believes that both private and public service workers have suffered as a result of the austerity measures of the Conservative/Liberal Democrat government and regrets the impact any industrial action will have on people in Southwark who rely on council services. We urge both the government and unions to explore every other possible course of action*

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

That the press and public be excluded from the meeting for the following item of business on the grounds that it involves 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 session of the meeting.

**16. MINUTES**

The minutes of the closed session of the meeting held on 13 December 2011 were approved as a correct record and signed by the chair.

The meeting ended at 6.05pm

**CHAIR:**

**DATED:**

**DEADLINE FOR NOTIFICATION OF CALL-IN UNDER SECTION 21 OF THE OVERVIEW AND SCRUTINY PROCEDURE RULES IS MIDNIGHT, 1 FEBRUARY 2012.**

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

<b>Item No.</b> 8.	<b>Classification:</b> Open	<b>Date:</b> 7 February 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy & Resources 2012/13 to 2014/15 – Provisional Local Government Settlement	
<b>Ward(s) or group(s) affected:</b>		All	
<b>From:</b>		Overview and Scrutiny Committee	

## RECOMMENDATIONS

1. That the cabinet review the report and ensure that the descriptions of budget changes in the appendices use simple and understandable language throughout.
2. That the cabinet consider and respond to the recommendations below prior to any decision being taken by council assembly.
3. That the report to cabinet includes detailed proposals on the setting up of the Community Restoration Fund, including criteria and process for assessment and award.
4. That the cabinet review the proposed £444,000 growth for additional costs during the five weeks of the Olympic games to assess whether this can be reduced and revisit the question of whether any of these costs can be recouped from government funding sources.
5. That the cabinet seek assurance that the NHS will be matching the council's additional funding towards reablement.
6. That the cabinet provide more detail on the Voluntary Sector Transition Fund in terms of awards to date, spend by individual organisations and evaluation processes.
7. That the cabinet clarify the formula by which changes in the fees at the South Dock Marina are to be increased.
8. That the cabinet explain the likely impact of the proposed change in the balance between reactive street repairs and planned maintenance with a view to achieving the most sustainable position for the funding available.
9. That the cabinet clarify the proposed reorganisation of the Southwark Anti Social Behaviour Unit and how the cut of £90,000 will be achieved.
10. That the cabinet set out clearly an implementation plan for the London Living Wage and in particular how it will affect contracts which are being re-procured in the coming years.



11. That the cabinet clarify how projects agreed within the cleaner greener safer revenue budget will be supported by officers and how this officer support will be funded.
12. That the cabinet clarify the reduction of £14,000 in funds used to provide emergency furniture for resettlement clients.

### BACKGROUND INFORMATION

13. At its meeting on 9 January 2012 the overview and scrutiny committee interviewed the following cabinet members in respect of the budget proposals contained in the report, Policy & Resources 2012/13 to 2014/15 – Provisional Local Government Settlement:
  - Councillor Richard Livingstone, Finance, Resources & Community Safety
  - Councillor Fiona Colley, Regeneration & Corporate Strategy
  - Councillor Veronica Ward, Culture, Leisure, Sport & the Olympics
  - Councillor Barrie Hargrove, Transport, Environment & Recycling
  - Councillor Catherine McDonald, Children's Services
  - Councillor Dora Dixon-Fyle, Health & Adult Social care
  - Councillor Ian Wingfield, Deputy Leader and Housing Management
  - Councillor Abdul Mohamed, Equalities & Community Engagement
14. The recommendations of the committee are set out above.

### BACKGROUND DOCUMENTS

Background Papers	Held at	Contact
Report to Cabinet 13 December 2011	160 Tooley Street London SE1 2QH	Everton Roberts Constitutional Team 020 7525 7221

### AUDIT TRAIL

<b>Lead Officer</b>	Shelley Burke, Head of Overview & Scrutiny	
<b>Report Author</b>	Peter Roberts, Scrutiny Project Manager	
<b>Version</b>	Final	
<b>Dated</b>	12 January 2012	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law & Governance	N/a	N/a
Finance Director	N/a	N/a
Chief Officers	N/a	N/a
<b>Cabinet Member</b>	N/a	N/a
<b>Date final report sent to Constitutional Team</b>	12 January 2012	

<b>Item No.</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 7 February 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Quarterly Revenue Monitoring Report Quarter 3, 2011/12, including Treasury Management	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance, Resources and Community Safety	

## **FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFTY**

This report sets out the council's financial position against its budget as at 31 December 2011, and asks cabinet to approve the budget adjustments set out in Appendix A.

The report covers the general fund, housing revenue account, the council's use of reserves (including the planned use of £3.4m this year), the performance of the collection fund and a summary of the council's treasury management activity, together with the analysis of risks for our investments in the current climate.

Cabinet members should note that there remains an adverse variance of £1.6m against spending budgets. It should also note that this is primarily as a result of not being able to make the required savings from the customer services contract to date. Any overspend at year end will be met from the council's contingency budget. However, cabinet should also note the successful performance of the council's own departments in realising the difficult savings required of them this year.

## **RECOMMENDATIONS**

1. That the cabinet notes:
  - the general fund outturn forecast for 2011/12 and the forecast net movement in reserves;
  - the housing revenue account's (HRA) forecast outturn for 2011/12 and resulting forecast movement in reserves;
  - the treasury management activity for the third quarter of 2011/12.
2. That the cabinet notes the forecast performance for the Council Tax and Business Rates collection fund.
3. The cabinet approves the general fund budget movements as shown in Appendix A.
4. The cabinet notes the general fund budget movements in Appendix A.

## **BACKGROUND INFORMATION**

### **General fund**

5. The purpose of this report is to provide a forecast for the end of the financial year 2011/12, using predictions based on the experience to date and knowledge as at the end of quarter 3. Work continues throughout the council to ensure that a balanced position is achieved by the end of the year.
6. The council agreed a balanced budget of £323m on 22 February 2011 based on a nil council tax increase which required budget reductions of some £33.8m within the general fund to be made.
7. A further £22.4m was previously agreed within the housing revenue account for 2011/12. Performance on achieving both general fund and housing revenue account savings is closely monitored and details are provided in paragraphs 51 to 57 below.

### **Housing revenue account**

8. Cabinet agreed a balanced budget on 15 February 2011, having previously set tenants' rents and service charges on 25 January 2011 in accordance with the government's guideline rent. Like the general fund, the budget was set in the context of a 25% savings target over three years and required a radical approach, but provided the opportunity for transformational change to improve customer access, contract management and harness new technology to deliver services more efficiently but at lower cost. The restructure of the housing services department was implemented on 1 September 2011 and is on track to deliver savings of the order of £9m during 2011/12.
9. Southwark building services is also undergoing transition as the structure of the workforce is being reconfigured to better meet the needs of the contract and improve productivity, resulting in a number of redundancies. Operational and strategic management of the service has been brought back in-house from September 2011 and now sits within the maintenance & compliance division of the housing services department. These changes are designed to deliver measurable improvement in efficiency, quality and cost savings leading to a turnaround in trading performance moving forward. Full year savings equate to £600k in 2012/13 and a further £800k in 2013/14.

## **KEY ISSUES FOR CONSIDERATION**

### **General fund budget quarter 3 (Month 9) monitor**

10. Table 1 below shows the current forecast outturn position for quarter 3 by department. These estimates are based on nine months experience and take into account the impact of stringent management action being implemented by all strategic directors to ensure that they deliver their services within budget as agreed through the policy and resources strategy in February 2011 by council assembly. Progress for each department is shown in paragraphs 19 to 43 below.

**Table 1: General fund forecast outturn position for 2011/12 as at Q3**

General fund	2011/12 Original budget £'000	Budget movements £'000	2011/12 revised budget £'000	2011/12 forecast outturn £'000	Variance - over / (under) £'000	Variance at Q2 2011/12 - over / (under) £'000
Children's services	90,438	642	91,080	91,080	0	700
Health and community services	112,913	(462)	112,451	112,451	0	0
Environment and leisure	68,660	6,653	75,313	75,408	95	230
Housing	42,414	(5,668)	36,746	36,674	(72)	15
Regeneration and neighbourhoods	9,803	1,763	11,566	11,611	45	149
Deputy chief executive	9,277	(1,053)	8,224	8,224	0	(75)
Communities, law and governance	11,510	226	11,736	11,736	0	0
Finance and resources & strategic financing	28,703	11,165	39,868	39,928	60	115
Customer services centre	0	(1,500)	(1,500)	0	1,500	1,500
SCR income	(55,029)	(4,183)	(59,212)	(59,212)	0	0
<b>Total general fund before appropriations</b>	<b>318,689</b>	<b>7,583</b>	<b>326,272</b>	<b>327,900</b>	<b>1,628</b>	<b>2,634</b>
Contingency	5,500	(80)	5,420	0	(5,420)	(5,500)
Direct revenue funding of capital		1,090	1,090	1,090	0	0
Appropriations to/(from) reserves	2,195	(8,593)	(6,398)	(6,398)	0	0
Appropriations from reserves – planned use of reserves to underwrite base budget	(3,363)	0	(3,363)	(3,363)	0	0
<b>General fund total</b>	<b>323,021</b>	<b>0</b>	<b>323,021</b>	<b>319,229</b>	<b>(3,792)</b>	<b>(2,866)</b>

**Note:** Explanations of the quarter 3 budget movements between departments are provided in Appendix A. The budget movements above reflect those from Q1 to Q3.

11. General fund services have an unfavourable variance of £1.6m which is an improvement to the quarter 2 position of £2.6m reported to cabinet in November 2011.
12. The general fund forecast continues to exclude estimates of one off re-organisation and redundancy costs that the council expects to incur as it continues to put into action plans necessary to deliver the ongoing savings identified within the budget.
13. The forecasts reflect the release of £74k of the £100k Emergency Small Business Recovery Fund established to provide immediate, short-term support to small businesses in Southwark physically affected by the public disorder. This fund will be covered from Financial Risk Reserves which is set aside against future financial risks that may arise and so is appropriate for use in this instance. This allocation will be reviewed to ensure the adequacy of this fund.
14. The impact of the European Union agency workers directive, which took effect from 1 October 2011, means that an agency worker will be entitled to the same terms and conditions as a permanent employee after 12 weeks of work. In particular, agency staff are entitled to the pay and annual leave that they would enjoy if directly employed by Southwark.

15. The financial implications of this directive will be confirmed across all departments and reflected in their future budget plans. The cost pressure arising from the directive for remainder of 2011/12 will be incorporated into the final outturn position reported to Cabinet.
16. Work is continuing to mitigate the projected unfavourable variance of £1.6m. A contingency exists within the budget, and will be used to manage this variance should it crystallise at the end of the year. If performance against budget shows an overall favourable variance at the end of the year, the surplus resources will be used to mitigate the effects of the removal of the council tax freeze grant in 2013/14.
17. Small variances are reported in respect of the housing revenue account and the collection fund.
18. The budget movements during quarter 3 are detailed in Appendix A.

### **Children's services**

19. For 2011/12, a balanced budget is predicted for children's services. This is a significant reduction from Quarter 2, where an adverse variance of £700k was forecast.
20. This year has been one of significant change which has made budget forecasts more difficult to predict, changes include:
  - major service reorganisation, incorporating management restructures and the impact on services of the changing education role of the local authority;
  - significant grant reductions and robust management responses to reduce associated services and costs;
  - the improved recruitment of social workers resulting in significant agency cost reductions and organisations increasingly open to negotiations over contract prices;
  - management action taken to accelerate the 2012/13 savings programme resulting in one-off favourable budget variances.
21. There remain pre-existing cost pressures within children's services, as previously reported, however in 2011/12 these have been offset against favourable variances.
22. The most significant favourable variances include a reduction in agency spend of £1.5m resulting from management action taken and £600k favourable variance in the cost of residential placements for looked after children as a result of a more robust approach to commissioning and market management.
23. Therefore, children's services anticipate that they will be able to cover, in part, some of the one-off service redesign redundancy costs.

## **Schools**

24. The final dedicated schools grant (DSG) for 2011/12 is £195.5m (subject to further academy conversions) of which £167m is allocated directly to schools. The DSG forecast of a favourable variance of £500k is mainly attributable to a reduction in claims for pupils accessing free entitlement to education for three year olds. The Department for Education (DfE) announced an increase in the pupil premium rate of £430 per eligible pupil to £488. This funding is allocated directly to schools for 2011/12. The outcome of a consultation on the future of school funding is awaited. This proposes significant changes in future years in school formula funding and funding for early years and special educational needs.

## **Health and community services**

25. Health and community services are forecasting a balanced position at year end.
26. The department has a 3 year saving plan of £27m with a year 1 target of £7.7m, consisting of a number of savings and efficiencies. Some of these targets are extremely challenging and latest projections indicate that a small percentage may not be achieved within the planned timescales. The main 'pressure areas' are shown below and more detail is provided in paragraphs 53 and 54 below.
- Delays in the re-design of mental health day services, resulting in a £200k pressure. Work has begun to analyse current day care provision but this is unlikely to result in significant savings in 2011/12.
  - A variance of £163k on the closure of Holmhurst Day Centre for older people. The timetable for consultation did not result in a full year saving.
27. The slippage in the savings programme is being mitigated by compensating savings, and these are outlined in paragraph 54.

## **Environment and leisure**

28. The department successfully implemented the vast majority of the savings proposed for this financial year, before the start of the year. It is anticipated that compensatory one off savings can be identified for most of the budget pressures identified in the divisions. However, similar to other authorities, the overall parking PCN issuances are likely to be below target due to improving compliance. Therefore, the cautious forecast for the year is an adverse variance of £95k. Management actions will continue to control all variances and consider alternative options to deliver a balanced budget by the year end. It is assumed that any redundancy and reorganisation costs (currently estimated as £1.8m) incurred this year as a result of restructuring to achieve savings will be funded from the Modernisation Reserve.

## **Housing general fund (HGF)**

29. Responsibility for client services comprising the customer service centre (CSC), concessionary travel / blue badges and complaints transferred from the deputy chief executive (DCE) on creation of the housing services

department in January 2011.

30. As part of the council's budget plan (2011/12 to 2013/14), savings were identified against the CSC, predicated on the basis of a fundamental contract realignment. A strategic review is underway and the council's options to deliver the service improvements required at reduced cost are being assessed. The savings target has been re-profiled and is now being managed corporately.
31. Notwithstanding the wider contract review, the Vangent contract comprises both fixed and variable payment elements and costs are largely driven by volumes/ activity. With improved contract management it is possible to realise savings through operational efficiencies and a reduction in volumes without adversely impacting on service delivery in the interim. In addition, restructuring of the client unit gives rise to a positive variance against the employee budget as a number of vacancies still remain
32. Risks remain around temporary accommodation, particularly bed & breakfast placements and the availability of properties in the private rented sector. Procurement is running at a slower rate than planned due to market conditions, but has to some extent been mitigated with the development of the hostels programme and additional estate void properties within the HRA, such that the outturn position for the general fund is lower than would otherwise be. It remains crucial that the supply side is maximised as it represents a more cost effective alternative to bed & breakfast.
33. The provision of travellers' sites is a general fund activity managed within the area management division. Legislative changes have necessitated a review of the travellers' lettings policy and impacted on lettings during 2011/12. As a result the rent debit will be lower than budget and there is no scope to recover the position over the remainder of the year. Expenditure budgets are relatively small but site running costs have been subject to some volatility in the past and there are one-off costs expected to fall into 2011/12 that cannot be contained within the base budget.
34. Redundancy costs accruing on housing general fund services are currently assumed to be met from within existing service budgets.

### **Communities, law and governance**

35. The overall departmental forecast, following reserve movements, remains on budget. Significant pressures are still present across the services, particularly in Registrars, however they are currently being offset by the probability of underutilising the London Councils funding following the change of scope.
36. The neighbourhood's team has been funded on an interim basis in 2011/12, until the Democracy Commission review process concluded.

### **Deputy chief executive (including regeneration and neighbourhoods)**

37. Regeneration and neighbourhoods part of DCE is showing a small unfavourable variance of £45k after taking into account the expected release of £1.492m reserves. The revenue budgets continue to be monitored closely during the year to ensure mitigating action can be taken to address any emerging budget pressures and enable the department to contain the costs

within the allocated budget targets.

38. The revenue monitor also takes into account the 2011/12 base budget departmental savings of £1.6m which is being projected as fully achievable.
39. The deputy chief executive's department (excluding regeneration and neighbourhoods as above) is forecasting a breakeven position.
40. The communications division is reporting a favourable variance of £66k, which is mainly due to reduced staffing numbers. There is also a favourable variance of £28k being forecast within corporate strategy due to staff vacancies that will not be recruited into in the current financial year. These variances are offset by an unfavourable variance of £97k being reported by the deputy chief executive's office arising from a long-standing budget for savings on consultants. It is expected that this will be returned to the centre during the year, although final agreement on this has not yet been obtained.

### **Finance & resources / strategic financing**

41. Finance and resources is reporting an unfavourable variance of £60k for the year. The department is undergoing a fundamental restructure including the re-tender of the information services contract and re-organisation of the finance division, which are expected to yield savings as set out in the budget report on February 2011. The savings are expected to be met, however, substitution options will be found where needed to ensure the overall target will be achieved.
42. There is expected to be releases from reserves totalling £2.55m for the year.

### **Customer services**

43. Given the complexity of the delivery of planned savings arising from a fundamental contract realignment within the customer services centre, the target saving is now being managed corporately, and this continues to be reflected in the outturn forecast at quarter 3.

### **Contingency**

44. The 2011/12 budget included £5.5m for contingency. This budget continues to be held to meet unforeseen costs that may arise during the year within departments that strategic directors are unable to contain. As services are currently projecting an adverse variance of £1.6m it appears that some of the contingency budget may have to be used to address the cost pressures identified.
45. The contingency budget has been reduced by £80k in year. This budget movement represents the maximum funding being set aside in reserves for funding the replacement of and security of council artefacts (for example, a contribution to the Dr Salter replacement statue appeal).
46. The general fund variance at the end of the year is expected to move from the position as currently reported, based on actual experience. If there is a favourable variance at outturn, this will be used to mitigate the effects of the removal of the council tax freeze grant in 2013/14.



## Housing revenue account

47. The forecast highlights a number of potential and known risks that are being monitored and addressed. Underlying spending pressures remain, particularly in relation to the council's landlord responsibilities for the maintenance and improvement of the housing stock, but these are being managed within the resources available. The forecast shows a positive variance at this point which will be taken to reserves at year-end.

**Table 2: HRA forecast outturn position for 2011/12 as at Q3 M09**

Divisions	Net Expenditure			
	Full Year Budget £'000	Forecast Outturn £'000	Forecast Variance at Q3 £'000	Forecast Variance reported at Q2 £'000
Community Housing Services	4,536	3,421	(1,115)	(105)
Strategic Services	122,095	120,283	(1,812)	(166)
Home Ownership	(34,257)	(31,747)	2,510	130
Housing Regeneration Initiatives	1,529	1,546	17	18
Maintenance & Compliance	42,148	42,608	460	207
Area Management	(153,440)	(153,771)	(331)	177
Major Works	5,191	5,140	(51)	0
Heating Account	12,198	12,198	0	0
HRA Carry Forward	0	(303)	(303)	(303)
<b>Total</b>	<b>0</b>	<b>(625)</b>	<b>(625)</b>	<b>(42)</b>
Movement in HRA Reserves		625	625	42
<b>HRA Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

48. The primary movements since quarter 2 arise on major works capital billing, which is forecast to be lower than budget due to programme re-profiling. The value of capital billing is driven by the housing investment programme (HIP) and any departure from the anticipated spend profile impacts on the revenue income assumptions built into the HRA. The latest position following the October billing run shows a shortfall of £2.5m against target, but this is substantially mitigated by a reduction in the revenue contribution to the HIP (-£1.8m) to which it is linked. These movements are reflected on the home ownership and strategic services lines in table 2. This is considered to be the worst case scenario and the position may improve following a further billing run in February 2012, but it is prudent to exclude this from the forecast at this stage.
49. Temporary accommodation in the HRA is designed to be cost neutral and serves to relieve some of the cost pressure on the homelessness budget in the general fund. The availability of estate void properties is greater than forecast, which generates additional rent debit and income. This, together with lower repair costs and early realisation of efficiency savings, comprise the positive budget variance for Community Housing Services division.
50. Other movements within the area management and maintenance & compliance divisions comprise a range of volume driven, demand led budgets, such as repairs and maintenance and heating repairs, which are subject to

some volatility. Budget savings for 2011/12 are predicated on the basis of driving out higher contract value and supply chain efficiencies and rigorous contract management and cost control across housing services.

### Implementation of the 2011/12 budget decisions including agreed budget reductions, savings and efficiencies

51. The council had identified £56.2m agreed budget reductions, including savings and efficiencies for the general fund and housing revenue accounts as part of the 2011/12 budgets. At quarter 3, there is a projected savings shortfall of £1.9m, as shown in Table 3.

**Table 3: Forecast projection of savings agreed for 2011/12 as at Quarter 3**

	Agreed by Council £'000	Total Forecast Savings £'000	Variance at Month 9 £'000	Compensating savings identified £'000
Children's services	(5,763)	(5,346)	417	0
Health and Community Services	(7,745)	(7,419)	334	(334)
Environment and leisure	(7,328)	(7,138)	190	(190)
Housing general fund	(554)	(554)	0	0
Customer services centre	(1,500)	0	1,500	
Finance and resources	(5,904)	(4,532)	1,372	(1,372)
DCE: Regeneration & neighbourhoods	(1,644)	(1,644)	0	0
Deputy Chief Executive Communities, Law and Governance	(2,289)	(2,289)	0	0
	(1,092)	(1,092)	0	0
<b>Total General Fund</b>	<b>(33,819)</b>	<b>(30,014)</b>	<b>3,813</b>	<b>(1,896)</b>
Housing Revenue Account	(22,399)	(22,399)	0	0
<b>Total Savings 2011/12</b>	<b>(56,218)</b>	<b>(52,413)</b>	<b>3,813</b>	<b>(1,896)</b>

### Children's services

52. The majority of children's services savings have either been achieved or are on track to be implemented before the end of this financial year. In cases where a shortfall in the savings targets has arisen due to delays in implementation (e.g. savings in youth services) robust management action has enabled potential unfavourable variances to be offset by the significant favourable variances within the overall children's services budget as outlined in paragraph 22 above.

### Health and community services

53. Health and community services are currently forecasting a savings shortfall of £334k, this is a less favourable position than that reported at quarter 2 and is due to less savings being forecast within supporting people and mental health services. The detail breakdown is as follows:

- A reduction in costs is planned around a service redesign of pooled arrangements with South London & Maudsley Trust (SLAM). The savings forecast are now a prudent estimate of £537k, rather than the £650k budgeted (variance £113k), as SLAM is yet to finalise the savings plan.

- A £136k variance is reported against the target of reducing the supporting people budgets by approximately 30% including efficiencies. This is still an improvement from the variance of £230k reported at quarter 1, but less favourable than that reported at Q2 which was a shortfall of just £12k. There remains the possibility of delays in contract call off because of front loading of savings.
  - The variance of £163k on the rationalisation and redesign of council run day centres remains unchanged from that reported at Q2. This is due to delays in sign off by members due to extension of consultation.
  - As previously reported, savings around the reshaping of mental health day services have been delayed, a detailed implementation plan is being prepared, but the Q3 forecast variance is now £200k compared to £130k at Q2.
  - Reducing unit costs of home and residential care through better spot purchasing and procurement arrangements which will be administered through a central brokerage team has proceeded better than planned, and an extra saving of £283k is projected to be achieved.
54. There is a senior management team driven action plan to mitigate the risks and pressures identified above. This is expected to achieve £334k of savings and includes:
- Close review of new payments made to minimize the use of expensive residential care.
  - Better procurement of all purchased care to ensure lowest possible price.
  - Holding staff vacancies and limiting use of agency staff.
  - Re-assessing existing care packages, both in and out of Borough.
  - Maximising all potential income streams.

### **Environment and leisure**

55. Environment and leisure are forecasting an unfavourable variance on savings of £190k, which is an improved position compared to the £222k reported at quarter 2 and is as a result of the following:
- Reduced costs through procurement of the new parking enforcement contract will not be realised (variance £160k). A contract extension was awarded to bring in line the possible sharing of resources. Although negotiations on shared services with respect to parking are progressing well, savings for 2011/12 and 2012/13 will not be realised until 2013/14 as the current contract does not expire until February 2013.
  - There is a £30k shortfall in the £184k ecology grants put forward as savings which cannot be achieved due to the requirement to taper the grants.

### **Finance and resources**

56. As was reported in the previous quarterly monitoring reports, the council is no longer seeking to increase court costs this year. Alternative savings are being

achieved through a combination of an improvement in housing benefit subsidy over original estimates and greater efficiencies within the service since its transfer in-house on 1 April 2011. The collection rate of council tax is being closely monitored and current indications are that this is increasing.

### **Customer services**

57. As reported at quarter 2, a significant element of the customer services savings is dependent on realigning the Vangent contract, which is not expected to be achieved until the latter part of the current 3 year planning horizon. The monitor continues to show a £1.5m adverse variance directly resulting from a variance of £500k against the savings requirement already built into the existing Vangent contract and a variance of £1m against further Vangent contract savings through realignment. The shortfall in savings this year will be addressed corporately.

### **Housing revenue account**

58. Table 3 above shows total HRA budget movements of £22.4m for 2011/12. This comprises additional income generated through tenant rent and service charge increases (£12.1m), leasehold service charge income (£1.1m) and base budget savings of £9.2m. In terms of the savings element, these remain on track as reported at quarter 1, with only minor variations to be reported. Conversely, garage income will fall short of the budget target due to the higher take-up of the concessionary charge rate introduced from April 2011 than originally anticipated. The variance (£400k) is incorporated in this quarter 3 monitor but can be contained from a contingency budget within the HRA in 2011/12 and will be addressed as part of rent/ budget setting for 2012/13.

### **Reserves**

59. The council retains a level of earmarked reserves and these are reported each year within the annual statement of accounts. These reserves are maintained to finance calls for expenditure for items that are difficult to predict and that are not included in revenue budgets or within the capital programme. They relate especially to invest to save opportunities that form part of the modernisation agenda and expected to deliver future ongoing revenue savings. They are also held for investment in regeneration and development where spend may be subject to unpredictable market and other influences.
60. Where a department identifies a need for additional funding, there is a robust process for seeking support from reserves, where the department must demonstrate that they are unable to contain the identified additional pressure within their existing budget. Cabinet will be asked to approve this funding support where the amount is £250k or above.
61. As the year progresses, departments will naturally be in a better position to more accurately forecast their outturn position. This will allow for any unfavourable variances to be offset by favourable ones at departmental level, before the need to call on reserves.
62. The budget approved by Council for 2011/12 included a planned release of reserve of £3.363m. This call on reserve provided some flexibility in terms of budget setting and the profile of savings that the council identified in the Policy and Resources Strategy 2011/14. It is assumed in this Quarter 3 report that

this call on reserves will have to be made in full. However in the event that the contingency budget is not fully utilised, any unused contingency will be used first to bridge any remaining funding gap.

63. The 2011/12 budget includes a planned contribution to reserves of some £1.3m. This included £295k set aside for the future costs that will arise through changes in the council's management structure as the modernisation agenda is taken forward, and £1m contribution to reserves to support the ongoing regeneration and development agenda within the borough.
64. The tables in Appendix B summarise the projected movements in reserves.

### **Collection fund / Council tax and business rates collection**

65. As a billing authority the council is required to maintain a collection fund account, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and demonstrate the way in which these have been distributed to preceptors and the general fund.
66. The estimated balance on the collection fund for council tax transactions to 31 March 2012 as reported in the council tax base report to Council Assembly on 25 January 2012 is a deficit of £166k, of which Southwark's element is £124k.
67. This is an unfavourable movement compared to that reported at Q2 and is due largely to an increase in the projection for exemptions.
68. However as previously reported there are a number of potential risks in relation to the final level of both discounts and exemptions awarded, which will affect income due from council tax payers and, therefore, the eventual year end position confirmed in the revenue outturn report.

### **Treasury management**

69. The council's treasury management activity relates to both cash and debt balances. The cash earns interest until it is needed in spending and the debt funds current and past capital spend met through borrowing. Three investment firms manage the council's investments and an in-house team focuses on meeting day to day cash volatility using money market funds, call accounts and short term deposits. The managers provide exposure to liquid money market deposits and UK Treasury and supranational bonds.
70. Amid turbulent financial conditions, the council continued to take a cautious approach in its lending, placing security as a high priority. Exposure to banks and building societies was confined to major entities with a high likelihood of state support in the event it was needed. Exposure to UK Gilts, European Investment Bank (EIB), and the International Bank for Reconstruction & Development (the World Bank) helped strengthen security further.
71. No borrowing has been taken out so far in 2011/12 and the long term debt has remained at £762m throughout the last three quarters. Government proposals to move to self funding for housing would see Southwark's housing debt reduce by some £195m towards the end of March 2012, reducing HRA debt interest and in return requiring the HRA to meet all future interest and running costs from its own resources rather than relying on HRA subsidy as now. The debt reduction is lower than the £275m previously indicated by DCLG

modelling and the finance director has written to the Government asking it to reconsider this sum in view of the difficulties this raises for the HRA. The balance currently on deposit with major banks and building societies and in bonds is set out in table 4 below.

**Table 4: Investment counterparty exposure Q3 (Month 9)**

EXPOSURE - DECEMBER 2011 COUNTERPARTY AND RATINGS						
COUNTERPARTY	Exposure £m	Fitch Ratings				
		Long	Short	Support	Sovereign	Sovereign Rating
NORDEA BK FINLAND	18.5	AA-	F1+	1	FINLAND	AAA
BANQUE NATIONALE de PARIS and PARIBAS	3.6	A+	F1+	1	FRANCE	AAA
CREDIT INDUST ET COMRCL	5.5	A+	F1+	1	FRANCE	AAA
SOCGEN	0.5	A+	F1+	1	FRANCE	AAA
DEUTSCHE BK	21.2	A+	F1+	1	GERMANY	AAA
GLOBAL TREAS FUNDS-MMF	10.7		AAA	0	GLOBAL	Money Fund
ABN AMRO BK	5.0	A+	F1+	1	NETHERLANDS	AAA
ING BK	11.6	A+	F1+	1	NETHERLANDS	AAA
RABOBANK	5.0	AA	F1+	1	NETHERLANDS	AAA
EUROPEAN INV BK	12.0	AAA	F1+	0	SUPRANATIONAL	AAA
INT BK RECONST DEVT	4.3	AAA	F1+	0	SUPRANATIONAL	AAA
SVENSKA	18.2	AA-	F1+	1	SWEDEN	AAA
CREDIT SUISSE	0.6	A	F1	1	SWITZERLAND	AAA
UBS	18.1	A	F1	1	SWITZERLAND	AAA
BARCLAYS BK	24.6	A	F1	1	UK	AAA
HSBC	0.4	AA	F1+	1	UK	AAA
LLOYDS TSB/BK SCOTLAND	15.0	A	F1	1	UK	AAA
NATIONWIDE BSOG	19.5	A+	F1	1	UK	AAA
SANTANDER UK	21.5	A+	F1	1	UK	AAA
UK TREASURY	42.6	AAA	F1+	0	UK	AAA
BK OF NOVA SCOTIA	17.6	AA-	F1+	1	CANADA	AAA
COMMONW BK AUSTRALIA	15.0	AA	F1+	1	AUSTRALIA	AAA
NATIONAL AUSTRALIA	22.0	AA	F1+	1	AUSTRALIA	AAA
<b>Total £m</b>	<b>313.2</b>					

72. Developments in financial markets since September were dominated by uncertainty over euro area sovereign debt and the difficulty that some euro governments faced in meeting spending targets, amid expectations of slower growth. Investors demanded higher rates not only from smaller euro states (e.g. Greece and Portugal) but also the much larger economies of Italy and Spain.
73. The funding costs of banks exposed to peripheral euro economies also deteriorated and major European banks (including some in the UK) were downgraded. In recognition of this funding stress, central banks continued to supply liquidity to support banks and measures were announced to strengthen banks' capital base. Further measures to restore market confidence were agreed by euro area Heads of State in December.
74. In January 2012 Standard and Poor's took rating action on several euro area countries including: Italy, Spain and Portugal (downgraded by two notches) and France and Austria (downgraded by one notch). The council has not been lending to Italian banks since Fitch downgraded the country to A+ and has never had exposure to Austrian or Portuguese banks. Exposure to Spain is currently only with Santander UK plc (previously known as Abbey National plc), the UK subsidiary of Spain's largest bank. Santander UK plc has a long term rating of A+ (indicating low credit risk and strong capacity for payment of financial obligations). France remains highly rated after its downgrade from AAA to AA+ and banks to which the council has exposure there also have a long term rating of A+.

75. There was some interest amongst local authorities for sourcing funding through a public bond issue or a private-placement, following the raising of the margin that the Government charges over its own borrowing when lending to councils through the Public Works Loans Board. Interest in such funding has however fallen since the Government decided that it will supply cheaper loans to those councils (unlike Southwark) that will have their debt increased as part of HRA reforms. Demand has also been softened as investors seek a higher premium for holding debt in the face of continued turmoil in credit market.

### Community impact statement

76. This report monitors expenditure on council services, compared to the planned budget agreed in February 2011. Although this report has been judged to have no or a very small impact on local people and communities, the projected expenditure it is reporting reflects plans designed to have an impact on local people and communities, which will have been considered at the time the services and programmes were agreed. It is important that resources are efficiently and effectively utilised to support the council's policies and objectives.

### BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
2011/12 revenue monitoring	160 Tooley Street, London SE1 2QH	Vernon Smith 020 7525 57355
2011/12 treasury activity		Karsan Varsani 020 7525 54301

### APPENDICES

No.	Title
Appendix A	Budget movements to be approved, £250k and above and movements to be noted
Appendix B	Summary of projected movements in reserves in 2011/12

**AUDIT TRAIL**

<b>Cabinet member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety	
<b>Lead officer</b>	Duncan Whitfield, Finance Director	
<b>Report author</b>	Jennifer Seeley, Deputy Finance Director	
<b>Version</b>	Final	
<b>Dated</b>	26 January 2012	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law & Governance	No	No
Finance Director	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	26 January 2012	



## APPENDIX A

**BUDGET MOVEMENTS TO BE APPROVED, £250K AND ABOVE AND  
MOVEMENTS TO BE NOTED**

**Budget movements to be approved**

<b>Department from</b>	<b>Amount £'000</b>	<b>Department to</b>	<b>Amount £'000</b>	<b>Reason</b>
Housing	(7,281)	Finance and resources & strategic finance	7,281	Update of departmental depreciation budgets to reflect current charges.
Finance and resources & strategic finance	(4,285)	Health & community services	4,285	To reverse an earlier budget movement in relation to the NHS funding income budget which is to be transferred back to finance and resources
Finance and resources & strategic finance	(4,116)	Environment and leisure	4,116	Update of departmental depreciation budgets to reflect current charges.
Support cost reallocation (SCR) income	(3,760)	Finance and resources & strategic finance	3,760	Budget adjustment to move the SCR income budget in respect of insurance to the main SCR income group.
Deputy chief executives	(1,596)	Finance and resources & strategic finance	1,596	Update of departmental depreciation budgets to reflect current charges.
Appropriations	(1,305)	Finance and resources & strategic finance	1,305	Re-organisation/ redundancy costs within finance and resources
Finance and resources & strategic finance	(1,090)	Direct revenue funding of capital	1,090	New homes bonus (above that used for revenue) applied as a direct revenue contribution to capital.
Appropriations	(1,090)	Finance and resources & strategic finance	1,090	Accounting adjustment to reflect the release of the new homes bonus (above that used for revenue) from reserves to fund capital expenditure direct from revenue.
Appropriations	(900)	Children's	900	Release of reserves to meet one off costs of re-organisation that cannot be contained.
Appropriations	(485)	Environment and leisure	485	In setting the budget for this year, savings were identified that are reliant on service re-organisation. This budget movement represents an increase in the associated cost of redundancy reported at Q2 being released from reserves.

**Budget movements to be approved**

<b>Department from</b>	<b>Amount £'000</b>	<b>Department to</b>	<b>Amount £'000</b>	<b>Reason</b>
Appropriations	(484)	Finance and resources & strategic finance	484	A release of reserve to meet costs associated with the ongoing programme of disposing properties as part of the Council's accommodation strategy.
SCR income	(423)	Housing	423	Budget adjustment to reflect the fact that costs previously charged direct to HRA are now to be charged directly to the general fund where the costs are managed. These costs will then be recharged to HRA via support cost reallocations.
Children's	(303)	Finance and resources & strategic finance	303	Update of departmental depreciation budgets to reflect current charges.
Health & community services	(293)	Finance and resources & strategic finance	293	Update of departmental depreciation budgets to reflect current charges.
Appropriations	(271)	Regeneration and neighbourhoods	271	Increase in the reorganisation and redundancy costs reported at Q2 to be funded from reserves.
Appropriations	(265)	Finance and resources & strategic finance	265	Release of reserves to meet projects costs incurred in respect of Potters Field.
Finance and resources & strategic finance	(257)	Deputy chief executives	257	Movement of the time off for trade union duties (TOFTUDS) budget to the HR service.

### Budget movements to be noted

Department from	Amount £'000	Department to	Amount £'000	Reason
Appropriations	(246)	Environment and leisure	246	Information and communications technology (ICT) cabling & Audio and Video (AV) costs (total amount = £311k)
Appropriations	(225)	Environment and leisure	225	Book stock for Canada Water Library
Appropriations	(210)	Finance and resources & strategic finance	210	IBM legal fees
Appropriations	(207)	Communities, law and governance	207	To provide interim funding for the neighbourhoods team until the Democracy Commission review process concluded.
Environment and leisure	(207)	Deputy chief executives	207	Transfer of events and film
Appropriations	(193)	Environment and leisure	193	Peoples Network
Regeneration and neighbourhoods	(180)	Appropriations	180	Reduction in the release of reserve set aside to meet the legal and other costs of numerous planning appeals the volume of which increased after the council tightened its standards.
Regeneration and neighbourhoods	(163)	Appropriations	163	Reduction in the release of reserve to fund preparation of a development framework for Harmsworth Quays print works to facilitate the redevelopment of the site when vacated.
Housing	(160)	Appropriations	160	Reverse release of reserve in respect of reorganisation costs within the community housing service.
Finance and resources & strategic finance	(137)	Regeneration and neighbourhoods	137	To meet the loss of income from disposal of Coburg House.
Housing	(136)	Appropriations	136	Reverse release of reserve in respect of reorganisation costs within client services.
Appropriations	(130)	Regeneration and neighbourhoods	130	To meet the loss of income from disposal of Coburg House.
Finance and resources & strategic finance	(100)	Appropriations	100	To take the capital ambition grant income to reserves for future allocation when costs are incurred.
Finance and resources & strategic finance	(94)	Regeneration and neighbourhoods	94	Update of departmental depreciation budgets to reflect current charges.
Contingency	(80)	Appropriations	80	To create a reserve for council artefacts replacement and security (including Dr Salter replacement statue appeal)

**Budget movements to be noted**

<b>Department from</b>	<b>Amount £'000</b>	<b>Department to</b>	<b>Amount £'000</b>	<b>Reason</b>
Finance and resources & strategic finance	(75)	Deputy chief executives	75	Additional funding to meet the loss of film and events income
Regeneration and neighbourhoods	(70)	Appropriations	70	Reduction in the planned use of reserve for Southwark Schools for Future (SSF) to supplement existing base budgets needed to fund technical, legal and financial/commercial support to the closure of remaining SSF projects.
Finance and resources & strategic finance	(39)	Communities, law and governance	39	Transfer the post of local land property gazetteer (LLPG) custodian.
Appropriations	(25)	Regeneration and neighbourhoods	25	Queens Road due diligence
Communities, law and governance	(21)	Finance and resources & strategic finance	21	Update of departmental depreciation budgets to reflect current charges.
Regeneration and neighbourhoods	(21)	Appropriations	21	Reduction in release of reserves for Canada Water and Bermondsey Spa
Regeneration and neighbourhoods	(10)	Appropriations	10	Reduction in the release of housing planning delivery grant (HPDG) held in reserves in order to complete the committed projects.

## APPENDIX B

## SUMMARY OF PROJECTED MOVEMENTS IN RESERVES IN 2011/12

	2011/12 opening balance	Projected change in reserves	Release of reserve for capital	2011/12 forecast closing balance
Reserve	£'000	£'000	£'000	£'000
General fund earmarked - revenue	(48,130)	7,398		(40,732)
General fund earmarked - capital	(20,075)	(1,000)	1,264	(19,811)
<b>Total</b>	<b>(68,205)</b>	<b>6,398</b>	<b>1,264</b>	<b>(60,543)</b>

	2011/12 opening balance	Projected change in reserves	Release of reserve for capital	2011/12 forecast closing balance
Reserve	£'000	£'000	£'000	£'000
DSG reserve	(4,819)	(500)	713	(4,606)
Schools balances	(10,754)			(10,754)
<b>Total</b>	<b>(15,573)</b>	<b>(500)</b>	<b>713</b>	<b>(15,360)</b>

	2011/12 opening balance	Projected change in reserves	Release of reserve for capital	2011/12 forecast closing balance
Reserve	£'000	£'000	£'000	£'000
HRA earmarked	(20,577)	(625)	0	(21,202)
<b>Total</b>	<b>(20,577)</b>	<b>(625)</b>	<b>0</b>	<b>(21,202)</b>

<b>Item No.</b> 10.	<b>Classification:</b> Open	<b>Date:</b> 7 February 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Quarterly Capital Monitoring Report Quarter 3	
<b>Ward(s) or groups affected:</b>		All wards	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance, Resources and Community Safety	

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

This report sets out the position of the council's capital budget at the end of the third quarter for 2011/12, based on the ten-year capital programme approved by Council Assembly in July 2011.

The report includes both the general fund capital programme and the housing investment programme and gives details of variations to both. As the year has progressed, the gap between expenditure and expected income for 2011/12 has decreased and it is likely that this will reduce further by the end of the financial year. This position demonstrates the wisdom of the apparent 'over-programming' of projects for the year agreed in the ten-year programme.

The report also asks us to approve the reprofiling of and additions to budgets as set out in Appendix C.

This includes new work whose cost will be met through additional funding secured since the last report considered by cabinet in November 2011. Most significantly, this includes £1.3m funding from the Department of Education, some of which will be used for the temporary expansion programme to meet demands for school places.

I would therefore recommend that Cabinet, after due consideration, agree the recommendations set out below.

**RECOMMENDATIONS**

That Cabinet:

1. Approve the addition of budgets into the programme, matched by additional funding secured since the last report to cabinet (Appendix C).
2. Note the current monitoring position for the general fund capital programme 2011-21 and housing investment programme 2011-16 as at 31 December 2011 (Appendices A, B and D).
3. Note the additions into the programme of budgets relating to existing cabinet decisions and the movement of existing schemes between departments (Appendix C).
4. Approve the addition of £1.3m of additional Department of Education grant

funding to the children's services capital programme and to allocate £500k of this for the temporary expansion programme. The allocation of the remaining budget will be subject to a further report to Cabinet.

5. Note that the Capital Programme 2011-21 will be updated and presented to cabinet for approval in 2012/13 (paragraphs 59 to 60).

## **BACKGROUND INFORMATION**

6. The quarter 2 capital monitor was reported to cabinet on 22 November 2011. It reported a total general fund (GF) programme for 2011-21 of £376m with forecast resources over the same period estimated to be £430m, an overall surplus of £54m. It was noted that the surplus resources will not become available until the later half of the programme, from 2015/16 at the earliest. Overall the GF programme was reporting a slight adverse variance of £1.4m (0.4% of total programme) against the approved budget, which could be contained within the unallocated resources within the programme.
7. The total housing investment programme expenditure for up to 2015/16 was reported in quarter 2 as £418m and was fully funded.

## **KEY ISSUES FOR CONSIDERATION**

### **Summary of spend and resources**

8. The expenditure budget for the general fund programme for 2011/12 has further increased by £2.1m to £131.2m since quarter 2. The current forecast expenditure for the year is £106.6m, showing a variance of £24.6m. This variance has increased since quarter 2 due to a reprofiling of expenditure on the information services budgets within finance and resources, the reprofiling of the olympic legacy fund, parks, public realm and cleaner greener safer programmes within environment; and the reprofiling of the East Peckham and Nunhead schemes and Ilderton travellers' site within the housing general fund. The additional budgets between quarter 2 and quarter 3 relate to £1.5m of additional grant funding in children's services, allocation of £301k of corporate reserves within the leisure centres' programme and smaller sums of S106 funds within environment & leisure and DCE (regeneration & neighbourhoods).
9. Of the resources funding this expenditure, £13.5m has also been reprofiled into later years, as this funding is linked to specific works which have been reprofiled. The reprofiling of £24.6m of expenditure from 2011/12 into later years has reduced the forecast in-year variance between expenditure and expected income. The movement of the forecast variance of spend over financing for 2011/12 has therefore decreased from £8m in quarter 2 to the current position of £1.1m. The existing capital programme continues to be reviewed to monitor the progress of schemes to identify those which will not achieve the level of spend anticipated at the start of the year, and currently the apparent 'over-programming' is not considered to be a cause for concern.
10. As a result of unforeseen works on the Burgess Park project within environment, additional expenditure of £1.1m has been identified as necessary, an explanation for which is contained in paragraphs 45 and 46. This means that the total general fund for 2011-21 has a forecast expenditure of £379.3m (appendices A and D). The total forecast available resources over this period are

estimated to be £422.9m, an overall surplus of £43.6m against forecast expenditure.

11. The original budget of the housing investment programme for 2011/12 remains unchanged at £99.6m. However, £41.3m of expenditure has been reprofiled into later years giving a revised forecast expenditure of £58.8m. The reasons for the reprofiling of this expenditure are detailed in paragraphs 61-64.
12. This monitor is projecting a total general fund capital receipt over the life of the programme of £212.7m, an adverse variance of £9m. This is as a result of a reprofiling of receipts from the Elephant and Castle development. This position will continue to be monitored very closely by officers.
13. The commentary below on the latest monitoring position sets out the main achievements and potential issues arising by service department.

### **Comments on Capital Programme by Service**

#### **General Fund (Appendices A and D)**

##### **Children's services**

14. At quarter 3 the budget for the children's services capital programme 2011/12 is £16.7m. This is an increase of £1.5m from the quarter 2 position as a result of external grant funding added to the programme. The forecast expenditure for 2011/12 is £13.9m representing a favourable variance of £2.8m due to reprofiling of the primary capital programme.
15. The ten year capital programme at quarter 2 was £61.8m and this has increased to £63.3m. The council has been allocated an additional basic needs grant of £1.3m announced by the Department for Education in November 2011 to areas of greatest need for additional school places. In addition, £206k of Aiming High grant, specifically for capital purposes, has been included in the programme to facilitate short breaks for disabled children.
16. The primary places strategy is currently being reviewed due to rising demand for reception places across the borough and an increase in the demand for places for new residents to Southwark. It is anticipated that this will result in a strategy for permanent expansion for implementation from September 2013.
17. In the interim, the £1m set aside in the 2011/12 programme to support temporary expansion (bulge) classes has been fully allocated and with the anticipated continuing pressure for places in the short term it is proposed that an additional £500k is set aside from the additional basic needs grant of £1.3m for further temporary expansion classes in 2012/13.
18. The main variances to the original budget are due to reprofiling of the grant funded primary capital programme. The funding agreement and gateway 2 decision for St Anthony's School is scheduled for February 2012 and with the expectation of the council's funding profile resulting in a favourable variance in 2011/12 of £1.8m. Works at Crampton, Cherry Gardens and the three primaries have been put back to 2012/13 compared to the original estimates. This has been offset by bringing forward the budget for works at Robert Browning.



19. Allocations of £350k have been made against the £1.7m delegated budget for plant, fabric and modernisation.
20. Within the programme there is a budget of £500k challenge fund for schools that do not have sufficient resources to meet the costs of priority works. Awards of up to 50% match funding, capped at £20k, have been agreed from this fund. A block of £100k has been set aside for carbon reduction and plans with schools are at an advanced stage. A further £170k has been awarded to 12 schools in the first round of responses. This leaves up to £230k available for future allocations and schools are currently being invited to bid for phase two.

### **Southwark Schools for the Future**

21. The forecast for Southwark Schools for the Future (SSF) is changed from quarter 2 to reflect the agreed milestone payments for the financial close of St Michael's and All Angels Academy (SMAA) and the co-located Highshore School.
22. The 2011/12 budget for the SSF programme is £48.6m and the forecast expenditure is £39.7m representing a favourable variance of £8.9m, a reduction of £0.1m from quarter 2, due to reprofiling of the budgeted programme.
23. The 2011/12 favourable variance is due to slippage in the confirmation of funding by Partnerships for Schools for Rotherhithe School (£6.9m); the revised financial close for SMAA and the co-located Highshore School based on the project milestone payments (£4.9m); and reprofiling of £0.5m contingency. This is offset by adverse variances for Notre Dame and St Saviour's and St Olave's school reprofiling of milestone and VAT payments.
24. Phase 3b for SMAA/Highshore reached financial closed in December 2011; the first phase 2 PFI school, St Thomas the Apostle College, is expected to become operational in February 2012 (put back from January 2012 at quarter 2); and Phase 3c for Southwark Inclusive Learning Service Key Stage 3/Key Stage 4 is hoped to reach financial close in February 2012.

### **Health and community services**

25. The 2011/12 Southwark Resource Centre is still forecast on budget.
26. The new Department of Health Capital Grant for 2011/12 of £818k has to date spent £38k, with plans to spend the balance on major works for day centres. It is unlikely to be fully spent by 31 March 2012 and options are being considered to re-profile spend and/or budget. The option of carrying forward unused balance is being discussed with the Department of Health.

### **Deputy chief executives**

27. The capital budget for the department over the 2011-2021 period has seen a slight increase of £100k from £69.6m as reported at the end of quarter 2, to £69.7m. In 2011/12, the department is currently forecasting an expenditure of £18.2m, a favourable variance of £4.7m against the budget of £22.9m.
28. A rigorous review of the capital programme and subsequent re-profiling of some key projects such as Elephant & Castle leisure centre, office accommodation

programme and Nunhead community centre into future years has resulted in a favourable variance. The completion date for Elephant & Castle leisure centre is unaffected. There are also a number of smaller variances on the externally funded projects within economic development and strategic partnership, and planning and transport divisions.

29. Economic development and strategic partnerships has forecast expenditure of £4.3m for 2011/12. The capital projects funded by S106 and programmed for completion during the 2011/12 financial year include the Cathedral Steps environmental improvement, Rolls Road and Rouel Road tunnels are now complete. St Mary Magdalene park improvements is also currently on site and nearing completion.
30. Orders have been placed for Legible London way-finding system which has commenced on site, programmed for pre-Olympic completion. With regard to the improving local retail environments scheme, 15 sites are now complete and works on the remaining nine sites are programmed to commence in January 2012.
31. The planning and transport division have forecast expenditure of £4.0m in 2011/12. As reported in quarter 2, the two major schemes funded in addition to main TfL grant-funded projects have progressed very well. Access improvement works to Denmark Hill station to support the introduction of lifts are now complete. The community consultation for Camberwell town centre scheme development and design started in October 2011 and is on-going with approximately 200 responses received to date.
32. The delivery of transport improvement works aimed at improving road safety, and encouraging greener and sustainable modes of transportation in the borough is progressing as planned. These include works in East Dulwich, Peckham Rye, West Walworth and Forest Hill. Principal Road renewal on Champion Park is now complete and the completion of the renewal of Rotherhithe old road has been slightly delayed due to ongoing utilities work in the area.
33. The Elephant and Castle leisure centre project is being progressed through Southwark's local education partnership, 4 Futures. The project is currently in the early design stages. A planning application is anticipated to be submitted in June 2012 with a view to construction works commencing in summer 2012. Outturn costs are currently estimated within the budget allocated to this project by Cabinet in November 2010, with £950k in 2011/12 being reprofiled into 2012/13. There is no impact on the estimated opening date for the new centre.
34. The Property Services division have forecast expenditure of £9.6m in 2011/12, of which £6.8m relates to the Canada Water development. The new library at Canada Water is now complete and the final works on the surrounding plaza are progressing. Expenditure of £410k of the Nunhead community centre project has been reprofiled into 2012/13 due to extension in the design and planning stages. The office accommodation strategy has a capital budget of £10.7m of which £2.3m is forecast to be incurred this year.

## **Environment and leisure department**

### **Summary**

35. Environment and leisure department's latest approved capital budget for 2011/12 is £102.6m against the projected spend of £103.7m giving an overall adverse variance of (£1.1m) for Public Realm division. The progress of major schemes is outlined below.

### **Sustainable services**

36. The Integrated Waste Management Facility (IWWMF) at the Old Kent Road opened on 4 January. All council waste is now being tipped at the IWWMF, including that collected by Southwark Cleaning and Quadron. The facility is open for Southwark Cleaning vehicles to tip overnight, removing the need to go to the City of London. The Materials Recovery Facility (that separates dry recyclable material collected from our residents started operating double shifts on 3 January (07:00 to 15:00 and 15:30 to 23:30), doubling the number of people employed. The Mechanical Biological Treatment plant within the site (that treats residual waste and reduces the amount of rubbish that needs to be sent to land fill) is still undergoing fine tuning, and performance testing is likely to start in mid February.
37. The Independent Certification of Acceptance Testing is continuing. The practical tests at the MBT and Materials Recovery facility (MRF) have been completed, but sign off is dependant on completion of further tests relating to quality of build, staffing arrangements, and compliance with regulatory conditions. Unitary Charge step up payments, plus capital payments of £1.5m, will apply once testing is completed and certified.
38. Manor Place closed to the public on 3 January, and the Reuse and Recycling Centre (RRC or Civic Amenity site) at the IWWMF opened on 4 January.
39. The key objective of the project, highlighted at the Outline Business Case stage, was to provide a sustainable long-term solution for the collection, treatment, recycling and disposal of municipal waste in the Borough, capable of meeting high national and local performance targets and delivering ongoing service improvement over the duration of the contract. Achievements thus far, suggest that, the service is well on track to achieving these goals.
40. Although current costs estimate suggest a possible favourable variance on project spend, the unit has taken a cautious/prudent view and has therefore not projected this variance in the monitor. Projects such as this have substantial uncertainties and there are currently a number of outstanding compensation payments and negotiations. In any case, the division believes it has enough funding to cover these and expects (worst case scenario) the project to be delivered on budget.
41. In respect of the Southwark Heat Network from South East London Combined Heat and Power facility (SELCHP), there has been significant progress in identifying a viable route and technical solution for the pipework for the heat network, and a revised financial model and offer has been made by Veolia. Officers are considering this improved offer, and expect to be able to report on Heads of Terms of an agreement to the March cabinet meeting.

### **Public realm**

42. In respect of the CGS programme the programme to date has now been reviewed and a spend of £3.6m is forecast (from a total budget of £5.1m). The remaining schemes have factors such as planning approvals, lack of match funding, and reliance on other programmes that will prevent completion until next financial year. The new programme of £1.9m for year 2012/13 has just been launched in Community Councils.
43. Public Realm is projected to deliver their Highways and Lighting programmes within budget and time. All major schemes have member and stake holder approval and are programmed for delivery, although risks exist around two schemes because of the need to co-ordinate works with statutory utilities. Quarterly updates on all capital schemes are now provided to all ward councillors.
44. For the Southbank Improvement Project, GLA funding of £3.1m has been secured to delivery a number of accessibility and public realm improvements along the Southbank from borough boundary with Lambeth to Tower Bridge. This reflects the importance of this area for tourism in London in the run up to the Olympic and Paralympics games in summer 2012. The project is now on site and risk is being managed around the completion date of March 2012. The major risk is the delay in delivery of materials however the council is working closely with GLA to mitigate the risks. The grant funding is profiled as £2.1m in 2011/12 and £1.1m in 2012/13 so there is flexibility in the programme to allow for slippage into first quarter of 2012/13.
45. Additional costs of £1.1m have been projected for the Burgess Park Revitalisation Project due to four large disused diesel tanks being uncovered in the park and the associated cost of removing contaminated soil. This has added significant costs to the project and expended the available project contingency.
46. The project has already undergone a value engineering process and the project team is confident that costs will be contained at the revised budget of £6.2m.

### **Culture, libraries, learning & leisure**

47. There have been two minor variances on the costs of Dulwich and Camberwell leisure centres that were reported previously as part of the quarter 2 monitor. These arose as a result of a number of factors including asbestos removal and the rephasing of work on the Camberwell pool. These variances of £183k and £200k have now been confirmed by the Director of Environment as being final for these phases as included in the capital programme agreed by Council Assembly in July. The variances will be funded through a combination of S106 for Camberwell (£81k); and specific contributions from the earmarked reserve for Regeneration and Development (£183k for Dulwich and £119k for Camberwell). A total amount of £1m (£490k from the council's Olympic capital legacy fund and £521k from council resources) has been awarded for a third phase of development at Camberwell, including the upgrade of the centre's sports hall.
48. The anticipated favourable variance on the Thomas Calton centre of £28k has not changed although there are known to be further cost pressures in order to maintain the fabric of the building. There are likely to be further bids to the capital programme in the future to fund additional work. There has been some

movement on the profiling of the Olympic legacy fund projects, and only £231k of the £1.4m originally profiled for 2011/12 is now expected to be spent by 31 March 2012. The rest of the expenditure has been re-profiled to 2012/13.

49. In respect of Dulwich leisure centre the scope of work during phase 2 increased compared to the original tender. Reasons for this include the prolonging of the contract period in order to accommodate asbestos removal. As work on phase 2 of the leisure centre refurbishment has now been completed, no further increase in cost is anticipated.
50. At Camberwell leisure centre the main reasons for additional costs are the re-phasing delivery of works to open the pool by February 2011 and an upgrade of specifications to reduce future lifecycle replacement costs. A total amount of £1m (£490k from the council's Olympic capital legacy fund and £521k from council resources) has been awarded for a third phase of development at Camberwell, including the upgrade of the centre's sports hall.
51. Work at Pynners sports ground pavilion involves rebuilding the pavilion at Pynners which was destroyed by a fire a number of years ago. It is currently expected that this project will be delivered within budget and that all but £12k, which is the retention amount, will be spent by the end of 2011/12.
52. The capital programme has a provision of £2m for the Southwark 2012 Olympic capital legacy fund with an objective to invest in capital projects that support a lasting Olympic and Paralympic legacy in Southwark from the 2012 games, improving access to and increasing participation in physical activity and encouraging the development of the Olympic values in the borough's communities. The 10 successful bids were announced in October 2011. The expenditure for each scheme has been profiled and systems and procedures are in place to monitor their financial performance. As a result of reprofiling of the expenditure, a significant amount has been moved to 2012/13. However a number of smaller projects are expected to be completed by the end of 2011/12.

### **Housing general fund**

53. The housing general housing general fund programme totals £14.1m for investment in housing other than the council's own housing stock. The main areas of activity are detailed in paragraphs 54 to 56 below.
54. Housing renewal: The East Peckham renewal area group repair and solar heating schemes are proceeding on site as previously reported. The responsibility for delivery of some of the housing renewal area projects is about to change, and while the profiling of forecasts has been adjusted it will be the subject of further review. Further adjustments have been made to budget profiles between housing renewal grant types to ensure the programme remains within the overall annual budgets.
55. Travellers' sites: A planning application has been received for the revised Springtide travellers' site scheme. Expenditure has been reprofiled given that there is now little chance of the scheme starting this financial year. Responsibility for the railway embankment retaining wall at the Ilderton Road site boundary has been established as the responsibility of Railtrack, who have attended site to assess the work required. The budget has been reprofiled into next year, although it is anticipated that this may not be required.

56. Affordable housing fund: A planning application for the revised Family Mosaic scheme at Ivydale Road has now been approved. A revised approval for the draw-down of funding is required, and expenditure is expected to be reprofiled into the next financial year. Costs of the revised scheme are expected to be slightly lower than the current £1.3m budget.

### **Finance and resources**

57. Facilities management forecasts a favourable variance of £374k as a result of additional £366k reserve funding being used to fund the essential health and safety works to council offices. The original budget £366k is now forecast to be spent in 2012/13.
58. The information systems (IS) programme is currently under review. Forecast for the year has been reduced to a favourable variance of £1.1m due to reprofiled forecasts for Carefirst and other IS projects.

### **Capital programme update**

59. In July 2011, Council Assembly agreed the recommendations of the cabinet for a 10-year general fund capital programme 2011-21 of £351m. This will be refreshed in 2012/13 to add an additional year to the programme, to keep it as a full 10-year programme covering 2012-22.
60. The capital programme will be prepared on the basis that projects in 2011/12 which have not completed in this financial year will be carried forward, with funding, to 2012/13. This will be monitored and reported at outturn.

### **Housing investment programme (Appendix B)**

61. The draft 5-year programme approved by cabinet on 31 May 2011 included capital expenditure of £414.8m, and the current forecast shows an increase of £800k overall against that figure. This increase arises mainly through additional budget allocations to achieve the disposal of a site at Manor Place to generate a capital receipt, and the provision of a footpath in connection with the demolition of blocks on the Heygate Estate. Within the warm, dry, safe programme, forecasts have been revised between lines to reflect the updated 5 year programme as reported to cabinet on 18 October.
62. Although the outcome of the Lands Tribunal hearing in respect of the partnering contracts arrangements was in the council's favour, the written judgement was only received on 21 December. Until it was received, it was not possible to significantly progress the 5 year programme. Since the month 6 reported position a further £13.0m of expenditure has been reprofiled from the current year of the warm dry safe programme into the next two years, giving a total movement of £28.3m.
63. Reprofiling of the current year programme overall amounts to £41.3m. Other areas of significant movement include: the Aylesbury PPM programme which with the PFI not proceeding is currently under review; the East Dulwich Estate environmental scheme linked to redevelopment for which a planning application has yet to be submitted; the council new build programme which has suffered delays due to issues with the provision of services to the Lindley development;

the leasehold acquisitions at Maydew House, of which only two are now anticipated to complete in the current year; and the reinstatement of the fire damage at Sumner Road, which is the subject of ongoing negotiations with the council's insurers.

64. Forecast resources to fund HIP expenditure are little changed since last reported. A contribution from HRA revenue has been agreed at £0.2m to fund the inclusion of the Heygate footpath referred to above. There is however an overall reduction in contributions from revenue reflecting the drop in forecast expenditure for the overall HRA programme since last reported. This is largely due to estimated reductions in the level of capital funding required for fire safety works, some of which will be carried out through revenue budgets outside of the HIP, and major voids expenditure with fewer properties arising so far this year than was anticipated. Decent homes backlog funding of £11.25m has been confirmed as grant funding for 2012/13, and since this was originally shown as a revenue funding requirement this gives rise to a significant shift in the overall position between these two funding lines, pending its allocation to specific works or programmes.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

#### **Strategic Director of Communities, Law & Governance**

65. The Capital Programme 2011-2021 satisfies the council's duty under the Local Government Act 1999 which requires it to make arrangement to secure the continuous improvement in the way its functions are exercised, by having regards to the combination of economy, efficiency and effectiveness.
66. By agreeing the recommendations in the report the cabinet will demonstrate that it has made adequate arrangement for the proper administration of the council financial affairs.

### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Capital monitoring working papers	160 Tooley Street, London SE1 2QH	Le Cheung 020 7525 4300

### **APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix A	General fund capital programme summary
Appendix B	Housing investment programme summary
Appendix C	Funded variations and virements for approval
Appendix D	General fund capital programme details

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety	
<b>Lead Officer</b>	Duncan Whitfield, Finance Director	
<b>Report Author</b>	Jennifer Seeley, Deputy Finance Director	
<b>Version</b>	Final	
<b>Dated</b>	26 January 2012	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	26 January 2012	



## General Fund Capital Programme Summary – 2011/12 at Quarter 3

Department	2011/12								2012/13					
	Agreed Budget	Budget Virements	Budget Variations	Revised Budget	Spend to date	Projected spend remaining	Forecast	Variance	Agreed Budget	Budget Virements	Budget Variations	Revised Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's Services	14,059	7	2,594	16,660	6,993	6,918	13,911	(2,749)	26,766	(7)	75	26,834	29,233	2,399
Southwark Schools for the Future	48,559	0	0	48,559	28,942	10,773	39,715	(8,844)	56,548	0	0	56,548	52,376	(4,172)
Finance and Resources	3,513	0	366	3,879	523	1,895	2,418	(1,461)	2,713	0	0	2,713	3,010	297
Environment	26,948	0	3,215	30,163	9,481	15,547	25,028	(5,135)	10,515	0	612	11,127	17,067	5,940
Health and Community Services	2,209	0	469	2,678	816	1,865	2,681	3	1,195	0	0	1,195	1,195	0
Housing General Fund	6,317	0	0	6,317	1,949	2,678	4,627	(1,690)	3,355	0	0	3,355	4,630	1,275
Regeneration and Neighbourhoods	17,917	0	5,062	22,979	11,024	7,208	18,232	(4,747)	19,461	0	4,217	23,677	28,004	4,327
<b>TOTAL</b>	<b>119,522</b>	<b>7</b>	<b>11,706</b>	<b>131,235</b>	<b>59,728</b>	<b>46,884</b>	<b>106,612</b>	<b>(24,623)</b>	<b>120,553</b>	<b>(7)</b>	<b>4,904</b>	<b>125,449</b>	<b>135,515</b>	<b>10,066</b>
<b>FINANCED BY:</b>														
Corporate Resource Pool	27,684	0	0	27,684	18,191	9,493	27,684	0	45,000	0	0	45,000	41,000	(4,000)
Payback of Housing Receipts	0	0	0	0	0	0	0	0	(1,883)	0	0	(1,883)	(1,883)	0
General fund Contribution to HIP	0	0	0	0	0	0	0	0	(5,768)	0	0	(5,768)	(5,768)	0
Major Repairs Allowance	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Supported Borrowing	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserves & Revenue	1,365	0	1,748	3,113	1,107	1,267	2,374	(739)	2,906	0	0	2,906	2,489	(417)
SSF Capital Grant	46,576	0	0	46,576	28,941	10,673	39,614	(6,962)	48,742	0	0	48,742	44,570	(4,172)
Capital Grants	15,973	7	8,017	23,997	9,650	9,593	19,243	(4,754)	9,364	(7)	4,207	13,564	17,939	4,375
LPSA Reward grant - capital	4,084	0	0	4,084	0	4,084	4,084	0	0	0	0	0	0	0
Capital Refresh Contingency Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New Homes Bonus	1,090	0	0	1,090	0	1,090	1,090	0	3,436	0	0	3,436	3,436	0
Section 106 Funds - unallocated	5,052	0	0	5,052	0	5,052	5,052	0	663	0	0	663	663	0
Section 106 Funds - allocated	5,303	0	1,946	7,249	1,817	4,363	6,180	(1,069)	1,761	0	653	2,414	3,258	844
External Contributions	207	0	(1)	206	23	184	207	1	1,548	0	0	1,548	1,548	0
<b>TOTAL RESOURCES</b>	<b>107,334</b>	<b>7</b>	<b>11,710</b>	<b>119,051</b>	<b>59,729</b>	<b>45,799</b>	<b>105,528</b>	<b>(13,523)</b>	<b>105,769</b>	<b>(7)</b>	<b>4,860</b>	<b>110,622</b>	<b>107,252</b>	<b>(3,370)</b>
<b>Forecast variation (under)/over Cumulative position</b>	<b>12,188</b>	<b>0</b>	<b>(4)</b>	<b>12,184</b>	<b>(1)</b>	<b>1,085</b>	<b>1,084</b>	<b>(11,100)</b>	<b>14,784</b>	<b>0</b>	<b>44</b>	<b>14,827</b>	<b>28,263</b>	<b>13,436</b>

Department	2013/14+						Total Programme 2011/12 - 20/21					
	Agreed Budget	Budget Virements	Budget Variations	Revised Budget	Forecast	Variance	Total Agreed Budget @ 01/04/2011	Budget Virements	Budget Variations	Revised Budget	Total Forecast	Total Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's Services	19,813	0	0	19,813	20,163	350	60,638	0	2,669	63,307	63,307	0
Southwark Schools for the Future	10,810	0	0	10,810	23,826	13,016	115,917	0	0	115,917	115,917	0
Finance and Resources	2,058	0	0	2,058	3,213	1,155	8,284	0	366	8,650	8,641	(9)
Environment	61,340	0	0	61,340	61,590	250	98,803	0	3,827	102,630	103,685	1,055
Health and Community Services	0	0	0	0	0	0	3,404	0	469	3,873	3,876	3
Housing General Fund	3,948	0	515	4,463	4,879	416	13,620	0	515	14,135	14,136	1
Regeneration and Neighbourhoods	10,154	0	12,915	23,069	23,489	420	47,532	0	22,194	69,725	69,725	0
<b>TOTAL</b>	<b>108,123</b>	<b>0</b>	<b>13,430</b>	<b>121,553</b>	<b>137,160</b>	<b>15,607</b>	<b>348,198</b>	<b>0</b>	<b>30,040</b>	<b>378,237</b>	<b>379,287</b>	<b>1,050</b>
<b>FINANCED BY:</b>												
Corporate Resource Pool	149,000	0	0	149,000	144,000	(5,000)	221,684	0	0	221,684	212,684	(9,000)
Payback of Housing Receipts	(3,766)	0	0	(3,766)	(3,766)	0	(5,649)	0	0	(5,649)	(5,649)	0
General fund Contribution to HIP	(5,000)	0	0	(5,000)	(5,000)	0	(10,768)	0	0	(10,768)	(10,768)	0
Major Repairs Allowance	0	0	0	0	0	0	0	0	0	0	0	0
Supported Borrowing	0	0	0	0	0	0	0	0	0	0	0	0
Reserves & Revenue	0	0	0	0	1,155	1,155	4,271	0	1,748	6,019	6,018	(1)
SSF Capital Grant	6,095	0	0	6,095	17,229	11,134	101,413	0	0	101,413	101,413	0
Capital Grants	10,697	0	3,430	14,127	14,477	350	36,034	0	15,654	51,688	51,659	(29)
LPSA Reward grant - capital	0	0	0	0	0	0	4,084	0	0	4,084	4,084	0
Capital Refresh Contingency Reserve	(2,800)	0	0	(2,800)	(2,800)	0	(2,800)	0	0	(2,800)	(2,800)	0
New Homes Bonus	37,206	0	0	37,206	37,206	0	41,732	0	0	41,732	41,732	0
Section 106 Funds - unallocated	6,845	0	0	6,845	6,845	0	12,560	0	0	12,560	12,560	0
Section 106 Funds - allocated	0	0	0	0	225	225	7,064	0	2,599	9,663	9,663	0
External Contributions	500	0	0	500	500	0	2,255	0	(1)	2,254	2,255	1
<b>TOTAL RESOURCES</b>	<b>198,777</b>	<b>0</b>	<b>3,430</b>	<b>202,207</b>	<b>210,071</b>	<b>7,864</b>	<b>411,880</b>	<b>0</b>	<b>20,000</b>	<b>431,880</b>	<b>422,851</b>	<b>(9,029)</b>
<b>Forecast variation (under)/over Cumulative position</b>	<b>(90,654)</b>	<b>0</b>	<b>10,000</b>	<b>(80,654)</b>	<b>(72,911)</b>	<b>7,743</b>	<b>(63,682)</b>	<b>0</b>	<b>10,040</b>	<b>(53,643)</b>	<b>(43,564)</b>	<b>10,079</b>

## Housing Investment Programme Summary – 2011/12 at Quarter 3

Programme	Project description	2011/12								2012/13					
		Agreed Budget	Budget Virements	Budget Variations	Revised Budget	Spend to date	Projected spend remaining	Forecast	Variance	Agreed Budget	Budget Virements	Budget Variations	Revised Budget	Forecast	Variance
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Warm dry and safe	Central heating - communal	3,193	0	0	3,193	1,754	887	2,641	(552)	1,436	0	0	1,436	989	(447)
	Central heating - individual	4,251	0	0	4,251	1,391	2,621	4,012	(239)	0	0	0	0	4,000	4,000
	Energy efficiency (heating plant)	431	0	0	431	100	0	100	(331)	0	0	0	0	118	118
	Energy efficiency (wall/loft insulation)	1,926	0	0	1,926	231	369	600	(1,326)	200	0	0	200	1,663	1,463
	Entryphones	256	0	0	256	1	101	102	(154)	309	0	0	309	203	(106)
	Fire safety	16,176	0	0	16,176	2,201	3,128	5,329	(10,847)	2,149	0	0	2,149	11,317	9,168
	Lifts	2,538	0	0	2,538	1,526	2,144	3,670	1,132	2,500	0	0	2,500	2,403	(97)
	Major works	32,000	0	0	32,000	6,831	8,209	15,040	(16,960)	42,000	0	0	42,000	55,206	13,206
	Minor voids capitalisation	3,000	0	0	3,000	64	2,936	3,000	0	3,000	0	0	3,000	3,000	0
	Minor voids WDS works	1,000	0	0	1,000	0	1,000	1,000	0	1,000	0	0	1,000	1,000	0
	Rewiring	1,362	0	0	1,362	1,746	625	2,371	1,009	3,604	0	0	3,604	500	(3,104)
	Tanks/tank rooms refurbishment	104	0	0	104	37	30	67	(37)	1,900	0	0	1,900	12	(1,888)
Regeneration	Aylesbury phase 1 (incl. PCs)	5,228	0	0	5,228	661	4,567	5,228	0	9,404	0	0	9,404	9,404	0
	Aylesbury future phases	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aylesbury PPM	4,922	0	0	4,922	63	1,260	1,323	(3,599)	2,833	0	0	2,833	7,009	4,176
	Bermondsey Spa refurb	2,037	0	0	2,037	1,180	858	2,038	1	84	0	0	84	100	16
	East Dulwich Estate	3,454	0	0	3,454	898	446	1,344	(2,110)	936	0	0	936	1,597	661
	Elmington	646	0	0	646	3	646	649	3	2,681	0	0	2,681	2,681	0
	Giles Carton Darnay	36	0	0	36	0	0	0	(36)	0	0	0	0	0	0
	Heygate Estate (incl. PCs)	3,932	0	150	4,082	1,774	2,658	4,432	350	2,751	0	0	2,751	2,250	(501)
	Hidden homes	91	0	0	91	10	26	36	(55)	301	0	0	301	382	81
	Home loss payments	230	0	0	230	78	152	230	0	200	0	0	200	200	0
	Hostel new build	136	0	0	136	0	50	50	(86)	1,364	0	0	1,364	500	(864)
	Local Authority New Build	3,093	0	0	3,093	465	1,128	1,593	(1,500)	102	0	0	102	1,602	1,500
	Maydew House	1,846	0	0	1,846	451	147	598	(1,248)	0	0	0	0	1,249	1,249
Other programmes	Adaptations	1,965	0	0	1,965	1,823	392	2,215	250	2,000	0	0	2,000	2,000	0
	Group repairs	500	0	0	500	159	141	300	(200)	471	0	0	471	273	(198)
	Capitalisation of scheme management	1,600	0	0	1,600	0	1,600	1,600	0	1,600	0	0	1,600	1,600	0
	Cash incentive scheme	276	0	0	276	116	160	276	0	368	0	0	368	276	(92)
	Community Housing Services (hostels)	1,172	0	0	1,172	1	380	381	(791)	1,034	0	0	1,034	1,120	86
	Digital switchover	1,600	0	0	1,600	807	793	1,600	0	1,200	0	0	1,200	600	(600)
	Disposals	500	0	360	860	265	614	879	19	500	0	0	500	500	0
	Fire reinstatement	2,900	0	0	2,900	84	329	413	(2,487)	100	0	0	100	2,394	2,294
	Lakanal/Sumner buy-backs and home loss	134	0	0	134	1	134	135	1	0	0	0	0	0	0
	Leasehold/freehold acquisitions	311	0	0	311	0	300	300	(11)	300	0	0	300	300	0
	Major voids	1,903	0	0	1,903	655	370	1,025	(878)	1,601	0	0	1,601	1,475	(126)
	Misc	120	0	0	120	43	70	113	(7)	143	0	0	143	50	(93)
	Office accommodation	465	0	0	465	30	57	87	(378)	200	0	0	200	250	50
	Play areas / environmental	100	0	0	100	0	0	0	(100)	0	0	0	0	19	19
	Sheltered housing	1,210	0	0	1,210	1,169	116	1,285	75	63	0	0	63	0	(63)
	T&RA halls	304	0	0	304	0	100	100	(204)	305	0	0	305	400	95
Adjustment	Expenditure in revenue	(7,395)	0	0	(7,395)	(256)	(7,139)	(7,395)	0	(7,395)	0	0	(7,395)	(7,395)	0
<b>TOTAL</b>		<b>99,553</b>	<b>0</b>	<b>510</b>	<b>100,063</b>	<b>26,362</b>	<b>32,405</b>	<b>58,767</b>	<b>(41,296)</b>	<b>81,244</b>	<b>0</b>	<b>0</b>	<b>81,244</b>	<b>111,247</b>	<b>30,003</b>
<b>FINANCED BY:</b>															
	Corporate Resource Pool	0	0	0	0	0	0	0	0	5,866	0	0	5,866	5,857	(9)
	Housing receipts	44,000	0	0	44,000	12,000	13,227	25,227	(18,773)	23,883	0	0	23,883	35,833	11,950
	Major Repairs Allowance	44,189	0	0	44,189	12,000	13,339	25,339	(18,850)	41,973	0	377	42,350	51,000	8,650
	Supported Borrowing	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Reserves & Revenue	5,747	0	760	6,507	749	4,658	5,407	(1,100)	4,699	0	(8,562)	(3,863)	2,799	6,662
	Capital Grants	2,826	0	(300)	2,526	982	827	1,809	(717)	401	0	11,185	11,586	12,126	540
	Section 106 Funds	322	0	(122)	200	50	0	50	(150)	31	0	(21)	10	69	59
	External Contributions	2,470	0	172	2,642	583	350	933	(1,709)	4,392	0	(2,979)	1,413	3,560	2,147
<b>TOTAL RESOURCES</b>		<b>99,554</b>	<b>0</b>	<b>510</b>	<b>100,064</b>	<b>26,364</b>	<b>32,401</b>	<b>58,765</b>	<b>(41,299)</b>	<b>81,245</b>	<b>0</b>	<b>0</b>	<b>81,245</b>	<b>111,244</b>	<b>29,999</b>

Programme	Project description	2013/14+						Total Programme 2011/12 - 18/19					
		Agreed Budget	Budget	Budget	Revised	Forecast	Variance	Total Agreed	Budget	Budget	Revised	Total Forecast	Total Variance
		£'000	Virements	Variations	Budget	£'000	£'000	Budget @	Virements	Variations	£'000	£'000	£'000
Warm dry and safe	Central heating - communal	3,000	0	0	3,000	13,963	10,963	7,629	0	0	7,629	17,593	9,964
	Central heating - individual	14,400	0	0	14,400	12,000	(2,400)	18,651	0	0	18,651	20,012	1,361
	Energy efficiency (heating plant)	0	0	0	0	2	2	431	0	0	431	220	(211)
	Energy efficiency (wall/loft insulation)	600	0	0	600	600	0	2,726	0	0	2,726	2,863	137
	EntrypPhones	900	0	0	900	600	(300)	1,465	0	0	1,465	905	(560)
	Fire safety	3,300	0	0	3,300	2,930	(370)	21,625	0	0	21,625	19,576	(2,049)
	Lifts	9,000	0	0	9,000	5,788	(3,212)	14,038	0	0	14,038	11,861	(2,177)
	Major works	150,000	0	0	150,000	154,714	4,714	224,000	0	0	224,000	224,960	960
	Minor voids capitalisation	9,000	0	0	9,000	9,000	0	15,000	0	0	15,000	15,000	0
	Minor voids WDS works	3,000	0	0	3,000	3,000	0	5,000	0	0	5,000	5,000	0
	Rewiring	6,000	0	0	6,000	7,700	1,700	10,966	0	0	10,966	10,571	(395)
	Tanks/tank rooms refurbishment	3,000	0	0	3,000	2,000	(1,000)	5,004	0	0	5,004	2,079	(2,925)
Regeneration	Aylesbury phase 1 (incl. PCs)	12,077	0	0	12,077	12,077	0	26,709	0	0	26,709	26,709	0
	Aylesbury future phases	9,000	0	0	9,000	9,000	0	9,000	0	0	9,000	9,000	0
	Aylesbury PPM	2,597	0	0	2,597	1,929	(668)	10,352	0	0	10,352	10,261	(91)
	Bermondsey Spa refurb	0	0	0	0	0	0	2,121	0	0	2,121	2,138	17
	East Dulwich Estate	0	0	0	0	0	0	4,390	0	0	4,390	2,941	(1,449)
	Elmington	1,467	0	0	1,467	1,467	0	4,794	0	0	4,794	4,797	3
	Giles Carton Darnay	0	0	0	0	0	0	36	0	0	36	0	(36)
	Heygate Estate (incl. PCs)	0	0	0	0	0	0	6,683	0	150	6,833	6,682	(151)
	Hidden homes	700	0	0	700	700	0	1,092	0	0	1,092	1,118	26
	Home loss payments	600	0	0	600	600	0	1,030	0	0	1,030	1,030	0
	Hostel new build	3,000	0	0	3,000	3,950	950	4,500	0	0	4,500	4,500	0
	Local Authority New Build	0	0	0	0	0	0	3,195	0	0	3,195	3,195	0
	Maydew House	0	0	0	0	0	0	1,846	0	0	1,846	1,847	1
Other programmes	Adaptations	6,000	0	0	6,000	6,000	0	9,965	0	0	9,965	10,215	250
	Group repairs	0	0	0	0	398	398	971	0	0	971	971	0
	Capitalisation of scheme management	4,800	0	0	4,800	4,800	0	8,000	0	0	8,000	8,000	0
	Cash incentive scheme	900	0	0	900	946	46	1,544	0	0	1,544	1,498	(46)
	Community Housing Services (hostels)	2,400	0	0	2,400	3,215	815	4,606	0	0	4,606	4,716	110
	Digital switchover	0	0	0	0	0	0	2,800	0	0	2,800	2,200	(600)
	Disposals	1,500	0	0	1,500	1,500	0	2,500	0	360	2,860	2,679	19
	Fire reinstatement	600	0	0	600	544	(56)	3,600	0	0	3,600	3,351	(249)
	Lakanal/Sumner buy-backs and home loss	0	0	0	0	0	0	134	0	0	134	135	1
	Leasehold/freehold acquisitions	900	0	0	900	900	0	1,511	0	0	1,511	1,500	(11)
	Major voids	4,500	0	0	4,500	4,500	0	8,004	0	0	8,004	7,000	(1,004)
	Misc	0	0	0	0	0	0	263	0	0	263	163	(100)
	Office accommodation	600	0	0	600	750	150	1,265	0	0	1,265	1,087	(178)
	Play areas / environmental	300	0	0	300	200	(100)	400	0	0	400	219	(181)
	Sheltered housing	600	0	0	600	598	(2)	1,873	0	0	1,873	1,883	10
	T&RA halls	1,500	0	0	1,500	1,500	0	2,109	0	0	2,109	2,000	(109)
Adjustment	Expenditure in revenue	(22,184)	0	0	(22,184)	(22,184)	0	(36,974)	0	0	(36,974)	(36,974)	0
<b>TOTAL</b>		<b>234,057</b>	<b>0</b>	<b>0</b>	<b>234,057</b>	<b>245,687</b>	<b>11,630</b>	<b>414,854</b>	<b>0</b>	<b>510</b>	<b>415,364</b>	<b>415,701</b>	<b>337</b>
<b>FINANCED BY:</b>													
	Corporate Resource Pool	5,018	0	0	5,018	5,030	12	10,884	0	0	10,884	10,887	3
	Housing receipts	73,766	0	0	73,766	80,666	6,900	141,649	0	0	141,649	141,726	77
	Major Repairs Allowance	119,704	0	2,401	122,105	132,306	10,201	205,866	0	2,778	208,644	208,645	1
	Supported Borrowing	0	0	0	0	0	0	0	0	0	0	0	0
	Reserves & Revenue	34,668	0	(3,612)	31,056	25,473	(5,583)	45,114	0	(11,414)	33,700	33,679	(21)
	Capital Grants	900	0	1,211	2,111	2,113	2	4,127	0	12,096	16,223	16,048	(175)
	Section 106 Funds	0	0	0	0	81	81	353	0	(143)	210	200	(10)
	External Contributions	0	0	0	0	18	18	6,862	0	(2,807)	4,055	4,511	456
<b>TOTAL RESOURCES</b>		<b>234,056</b>	<b>0</b>	<b>0</b>	<b>234,056</b>	<b>245,687</b>	<b>11,631</b>	<b>414,855</b>	<b>0</b>	<b>510</b>	<b>415,365</b>	<b>415,696</b>	<b>331</b>

## Funded variations and virements for approval – 2011/12 at Quarter 3

Variation	Children's Services	Southwark Schools for the Future	Finance and Resources	Environment	Health and Community Services	Housing General Fund	Regeneration and Neighbourhoods	General Fund Programme Total	Housing Investment Programme	Total Programmed expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>BUDGET AS AT REFRESH REPORT</b>	60,638	115,917	8,283	118,803	3,404	13,622	27,532	348,199	414,854	763,053
<b>CHANGES IN DEPARTMENTAL RESPONSIBILITY</b>										
Elephant & Castle Leisure Centre				(20,000)			20,000	0	0	0
								0	0	0
<b>RESTRUCTURED BUDGETS</b>	60,638	115,917	8,283	98,803	3,404	13,622	47,532	348,199	414,854	763,053
<b>Q1 - VIREMENTS ALREADY APPROVED</b>										
Dulwich L.C. urgent asbestos works				(5)				(5)		(5)
Dulwich Leisure Centre				5				5		5
Essential Repairs at Pynners Sports Ground				(3)				(3)		(3)
Pynners Sports Ground reinstatement works				3				3		3
Burgess Park - Improvements				(50)				(50)		(50)
Burgess Park Revitalisation Project				50				50		50
4 Parks Refurbishment Scheme				(96)				(96)		(96)
Dulwich Leisure Centre				96				96		96
<b>Total virements approved at Qtr 1</b>	0	0	0	0	0	0	0	0	0	0
<b>Q2 - VIREMENTS ALREADY APPROVED</b>										
Aylesbury Resource Centre					(4,784)			(4,784)		(4,784)
Cherry Gardens					4,784			4,784		4,784
Burgess Park - Improvements				30				30		30
Burgess Park Revitalisation Project				(30)				(30)		(30)
105418 - Outdoor Gym Burgess Park				(10)				(10)		(10)
105431 - Outdoor Gym Burgess Park				(10)				(10)		(10)
Burgess Park Revitalisation Project				20				20		20
<b>Total virements approved at Qtr 2</b>	0	0	0	0	0	0	0	0	0	0
<b>Q3 - VIREMENTS REQUESTED TO BE APPROVED</b>										
								0		0
								0		0
								0		0
								0		0
<b>Total virements requested to be approved Qtr 3</b>	0	0	0	0	0	0	0	0	0	0
<b>Total virements</b>	0	0	0	0	0	0	0	0	0	0

Variation	Children's Services	Southwark Schools for the Future	Finance and Resources	Environment	Health and Community Services	Housing General Fund	Regeneration and Neighbourhoods	General Fund Programme Total	Housing Investment Programme	Total Programmed expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>PROGRAMME FUNDED VARIATIONS</b>										
<b>Q1 - VARIATIONS ALREADY APPROVED</b>										
Bankside Urban Forest							(73)	(73)		(73)
Mint Street Park & Bankside Open Space Trust							342	342		342
Principle Road Renewal - TFL funding							350	350		350
Corridors, Neighbourhoods & Supporting Measures - TFL funding							2,401	2,401		2,401
Major Transport Schemes - TFL funding							419	419		419
Local Transport Funding - TFL funding							100	100		100
Cycling Routes							30	30		30
Bermondsey Spa EIP - Regen.							40	40		40
Thamespath Pedestrian Diversion							(72)	(72)		(72)
Peckham Rye Station							10,000	10,000		10,000
John Harvard Library				17				17		17
103017 - Brandon 3 Community Garden Phase				4				4		4
Peckham Rye Community Wildlife Garden				45				45		45
Cator Street	970							970		970
HIA - DFG mand (60% dfg)						515		515		515
<b>Total Approved at Qtr 1</b>	<b>970</b>	<b>0</b>	<b>0</b>	<b>66</b>	<b>0</b>	<b>515</b>	<b>13,537</b>	<b>15,088</b>	<b>0</b>	<b>15,088</b>
<b>Q2 - VARIATIONS ALREADY APPROVED</b>										
Walworth Garden Farm Garden				4				4		4
Burgess Park Tennis Courts				8				8		8
Upgrade and Refurbishment of Essential CCTV				17				17		17
Upgrade and Refurbishment of Essential CCTV				30				30		30
ED&SP-F&IXRiv-Bank'Signs&Inf							(45)	(45)		(45)
Bankside Urban Forest							20	20		20
Bermondsey Streetscape Improvements							(73)	(73)		(73)
Improving Local Retail Environment							20	20		20
Borough & Bankside Tourism Infrastructure							320	320		320
Cylce Hire Complemen							23	23		23
Bridge Assessment & Strengthening							25	25		25
Corridors, Neighbourhoods & Supporting Measures							192	192		192
Car Club Programme							22	22		22
Principal Road Renewal							471	471		471
Corridors, Neighbourhoods & Supporting Measures							2,875	2,875		2,875

Variation	Children's Services	Southwark Schools for the Future	Finance and Resources	Environment	Health and Community Services	Housing General Fund	Regeneration and Neighbourhoods	General Fund Programme Total	Housing Investment Programme	Total Programmed expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>PROGRAMME FUNDED VARIATIONS</b>										
Car Club Programme							22	22		22
Principal Road Renewal							471	471		471
Corridors, Neighbourhoods & Supporting Measures							2,875	2,875		2,875
Local Transport Funding-Discretionary							100	100		100
Principal Road Renewal							350	350		350
Corridors, Neighbourhoods & Supporting Measures							2,465	2,465		2,465
Local Transport Funding-Discretionary							100	100		100
Bermondsey Spa Public Realm Improvements							1,151	1,151		1,151
Burgess Park Revitalisation Project				60					60	60
Canada Water Ancillary Costs							537	537		537
Thames Reach					469				469	469
Snowsfields Early Years accommodation	215									215
Southbank Accessibility Improvements				3,111					3,111	3,111
Property Works Programme			366						366	366
<b>Total Approved at Qtr 2</b>	<b>215</b>	<b>0</b>	<b>366</b>	<b>3,229</b>	<b>469</b>	<b>0</b>	<b>8,553</b>	<b>12,832</b>	<b>0</b>	<b>12,832</b>
<b>Q3 - VARIATIONS REQUESTED TO BE APPROVED</b>										
103017 - Brandon 3 Community Garden Phase				2				2		2
Goose Green Playground				49				49		49
Camberwell Leisure Centre				200				200		200
Dulwich Leisure Centre				183				183		183
Burgess Park Revitalisation Project				97				97		97
Improving Local Retail Environment							(20)	(20)		(20)
Bermondsey Streetscape Improvements							(29)	(29)		(29)
Nelson Square Pay Area Improvements							115	115		115
Enabling Works-P12 Bus Stop Lengthening							37	37		37
Short Breaks for Disabled Children Grant	206							206		206
DfE additional basic needs (Nov 2011)	1,278							1,278		1,278
<b>Total Requested to be Approved Qtr 3</b>	<b>1,484</b>	<b>0</b>	<b>0</b>	<b>531</b>	<b>0</b>	<b>0</b>	<b>104</b>	<b>2,119</b>	<b>0</b>	<b>2,119</b>
<b>REVISED BUDGETS - Q3</b>	<b>2,669</b>	<b>0</b>	<b>366</b>	<b>3,826</b>	<b>469</b>	<b>515</b>	<b>22,194</b>	<b>378,238</b>	<b>414,854</b>	<b>793,092</b>
<b>VARIATIONS REQUESTED TO BE APPROVED</b>										
<b>FINANCED BY:</b>										
Capital Grant	1,484			3,206	469	515	9,980	15,655		15,655
Section 106 Funds	215			178			2,207	2,600		2,600
External Contribution				47			(48)	(1)		(1)
Capital Receipt							10,038	10,038		10,038
Reserves & Revenue	970		366	395			17	1,748		1,748
<b>TOTAL RESOURCES</b>	<b>2,669</b>	<b>0</b>	<b>366</b>	<b>3,826</b>	<b>469</b>	<b>515</b>	<b>22,194</b>	<b>30,040</b>	<b>0</b>	<b>30,040</b>

## General Fund Capital Programme Details – 2011/12 Quarter 3

Capital Programme 2011/12-2020/21	Environment			
Description of Programme / Project	2011/12	2012/13	2013/14+	Total
	£	£	£	£
Culture, Learning, Libraries and Leisure	946,546	0	250,000	1,196,546
Camberwell Leisure Centre - phase 1	1,178,500	0	0	1,178,500
Camberwell Leisure Centre - final phase	521,500	0	0	521,500
Pynners Sports Ground Reinstatement	600,000	0	0	600,000
Olympics Legacy	1,450,000	550,600	0	2,000,600
Seven Islands Leisure Centre Refurbishment	0	0	8,000,000	8,000,000
Parking - Capital works for CPZ reviews	255,941	0	0	255,941
Non-Principal Road Investment	4,452,393	5,000,000	34,050,000	43,502,393
Street Lights Investment	740,965	500,000	4,000,000	5,240,965
Parks	422,137	0	0	422,137
Honor Oak Remediation works	1,032,013	10,000	0	1,042,013
Burgess Park Revitalisation Project	4,841,945	188,172	0	5,030,117
Infrastructure Improvements	150,215	0	0	150,215
Highways / Traffic improvements on Trafalgar Ave	50,000	0	0	50,000
S106 funded public realm works	830,061		0	830,061
Upgrade and Refurbishment of Essential CCTV	169,999	180,000	0	349,999
Additional Cemetery Space	410,000	0	0	410,000
Cleaner Greener Safer	5,165,067	1,880,000	15,040,000	22,085,067
Peckham Rye one o'clock club	170,000	100,000	0	270,000
Southbank Accessibility Improvements	2,500,000	611,403	0	3,111,403
Integrated Waste Solutions Programme	4,075,260	1,820,000	0	5,895,260
Southeast London Combined Heat and Power	200,000	286,400	0	486,400
<b>Environment Total</b>	<b>30,162,542</b>	<b>11,126,575</b>	<b>61,340,000</b>	<b>102,629,117</b>
Capital Programme 2011/12-2020/21	Finance and Resources			
Description of Programme / Project	2011/12	2012/13	2013/14+	Total
	£	£	£	£
Information Services	1,958,302	135,612	973,417	3,067,331
Property Works Programme	1,124,799	0	0	1,124,799
Works to Council Buildings - DDA	150,000	422,064	1,084,128	1,656,192
Essential upgrade of Carefirst system	645,000	2,155,000	0	2,800,000
<b>Finance and Resources Total</b>	<b>3,878,101</b>	<b>2,712,676</b>	<b>2,057,545</b>	<b>8,648,322</b>



<b>Capital Programme 2011/12-2020/21</b>	<b>Regeneration and Neighbourhoods</b>			
<b>Description of Programme / Project</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14+</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Borough & Bankside Streetscape Improvement	413,069	0	0	413,069
Bermondsey Streetscape Improvements	1,390,073	0	0	1,390,073
Economic Development and Strategic Partnerships	1,132,580	1,356,337	0	2,488,917
Improvements to Local Retail Environments	2,842,101	0	0	2,842,101
Planning and Transport	5,117,746	3,446,000	2,915,000	11,478,746
Canada Water Library	5,440,449	343,318	0	5,783,767
Canada Water Development	1,338,013	242,254	0	1,580,267
Voluntary Sector Strategy	0	0	1,072,832	1,072,832
New Nunhead Community Centre	450,000	150,000	0	600,000
Bermondsey Spa Public Realm Improvements	537,863	613,443	0	1,151,306
Other Regeneration Schemes	232,967	0	0	232,967
Peckham Rye Station	0	0	10,000,000	10,000,000
Elephant and Castle Leisure Centre	1,000,000	12,000,000	7,000,000	20,000,000
Office Accommodation Strategy	3,084,000	5,526,000	2,080,978	10,690,978
<b>Regeneration and Neighbourhoods Total</b>	<b>22,978,861</b>	<b>23,677,352</b>	<b>23,068,810</b>	<b>69,725,023</b>
<b>Capital Programme 2011/12-2020/21</b>	<b>Children's Services</b>			
<b>Description of Programme / Project</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14+</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Children's Centres - All Phases	716,805	533,218	0	1,250,023
Waverley	19,690	200,096	0	219,786
Eveline Lowe Primary	2,082,503	200,000	0	2,282,503
Michael Faraday Primary retention payment	1,285,231	716,419	0	2,001,650
Southwark Park Primary	500,000	5,000,000	3,116,610	8,616,610
Robert Browning Primary School	724,272	40,653	0	764,925
Planned Maintenance and Quick Win Schemes	100,266	200,000	0	300,266
Smaller projects - Primary Capital Programme	499,170	283,035	0	782,205
Crampton - additional places	1,230,000	346,900	0	1,576,900
Brunswick Park Primary School	150,000	30,000	96,704	276,704
Goose Green Primary School	1,185,452	70,000	0	1,255,452
St Anthony's expansion and refurbishment	2,075,000	2,000,000	0	4,075,000
Lynhurst expansion and refurbishment	308,371	3,500,000	1,800,000	5,608,371
Cherry Garden Special School	500,000	7,200,000	4,800,000	12,500,000
Haymerle Primary	880,343	155,000	0	1,035,343
Snowfields Early Years Accommodation	140,000	75,000	0	215,000
Youth Services	138,176	596,963	0	735,139
Cator Street	970,000	0	0	970,000
Access fund	150,495	0	0	150,495
Carbon Reduction Fund	220,000	4,599	0	224,599
Capital Works for Free Healthy School Meals	500,000	0	0	500,000
Rotherhithe Primary	0	0	10,000,000	10,000,000
Plant, fabric and modernisation - 2011/12 grant	500,000	0	0	500,000
New places and improvements - 2011/12 grant	300,000	0	0	300,000
Plant, fabric and modernisation - delegated decision	0	1,682,222	0	1,682,222
Bulge primary school classes - delegated decision	0	1,000,000	0	1,000,000
Challenge fund for schools - delegated decision	0	500,000	0	500,000
New places & improvements - future Cabinet report	0	2,500,000	0	2,500,000
Short Breaks for Disabled Children Grant	206,305			206,305
DfE additional basic needs (Nov 2011)	1,278,107			1,278,107
<b>Children's Services Total</b>	<b>16,660,186</b>	<b>26,834,105</b>	<b>19,813,314</b>	<b>63,307,605</b>

Capital Programme 2011/12-2020/21	Health and Community Services			
Description of Programme / Project	2011/12	2012/13	2013/14+	Total
	£	£	£	£
Southwark Resource Centre	1,333,225	358,000	0	1,691,225
Smaller projects	57,646	0	0	57,646
Thames Reach	469,387	0	0	469,387
Adult PSS Capital Allocations	818,470	836,651	0	1,655,121
<b>Health and Community Services Total</b>	<b>2,678,728</b>	<b>1,194,651</b>	<b>0</b>	<b>3,873,379</b>
<b>Capital Programme 2011/12-2020/21</b>				
<b>Southwark Schools for the Future</b>				
Description of Programme / Project	2011/12	2012/13	2013/14+	Total
	£	£	£	£
Walworth Academy	1,439,521	0	0	1,439,521
Tuke Special School	360,000	0	0	360,000
St Michael's PFI	22,157	0	0	22,157
St Michaels and All Angels (SMAA)	9,935,140	19,484,596	1,279,499	30,699,235
Highshore (SMAA special school)	0	0	0	0
Spa school	1,132,752	0	0	1,132,752
St Thomas the Apostle college	83,333	0	0	83,333
New School Aylesbury	13,385,264	957,781	0	14,343,045
Rotherhithe (CW new school)	6,867,630	9,810,900	2,943,270	19,621,799
Notre Dame (VA)	2,009,402	5,545,472	883,642	8,438,516
Sacred Heart PFI	0	0	0	0
KS4 SILS	1,043,760	1,206,240	0	2,250,000
St Saviours and St Olaves	3,728,144	5,232,679	423,268	9,384,090
Bredinghurst / KS3 SILS	4,494,495	8,817,412	1,065,033	14,376,940
ICT	3,557,018	2,493,114	0	6,050,132
Contingency yet to be formally allocated	500,000	3,000,000	4,215,519	7,715,519
<b>Southwark Schools for the Future Total</b>	<b>48,558,614</b>	<b>56,548,193</b>	<b>10,810,230</b>	<b>115,917,038</b>
<b>Capital Programme 2011/12-2020/21</b>				
<b>Housing General Fund</b>				
Description of Programme / Project	2011/12	2012/13	2013/14+	Total
	£	£	£	£
East Peckham and Nunhead Housing Renewal	1,874,520	1,421,722	2,177,359	5,473,601
Empty Homes Grant	500,000	347,496	0	847,496
Homes Improvement Grant	511,248	0	0	511,248
Homes Improvement Agency	1,313,690	515,000	515,000	2,343,690
Small works grants	50,000	77,921	200,000	327,921
Home repair loan	165,000	167,507	660,000	992,507
Home repair grant	160,000	160,246	640,000	960,246
Landlord grants	20,000	27,660	80,000	127,660
Southwark moving on grant	10,000	10,000	0	20,000
Ilderton travellers site wall	300,000	0	0	300,000
Springtide travellers site	521,144	100,000	191,000	812,144
Burnhill Close travellers site refurbishment	112,380	7,221	0	119,601
Affordable Housing Fund 122-148 Ivydale	780,000	520,000	0	1,300,000
<b>Housing General Fund Total</b>	<b>6,317,982</b>	<b>3,354,773</b>	<b>4,463,359</b>	<b>14,136,114</b>
<b>Capital Programme 2011/12-2020/21</b>				
<b>Total General Fund Programme</b>				
	2011/12	2012/13	2013/14+	Total
	£	£	£	£
<b>Total Expenditure Budget</b>	131,235,015	125,448,325	121,553,258	378,236,598
			0	
<b>Total Resources Budget</b>	119,051,000	110,623,000	202,207,000	431,881,000
<b>Forecast variation (under)/over</b>	<b>12,184,015</b>	<b>14,825,325</b>	<b>(80,653,742)</b>	<b>(53,644,402)</b>
<b>Cumulative position</b>	<b>12,184,015</b>	<b>27,009,340</b>	<b>(53,644,402)</b>	

<b>Item No.</b> 11.	<b>Classification:</b> Open	<b>Date:</b> 7 February 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Council Plan Interim Performance Report	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Fiona Colley, Regeneration and Corporate Strategy	

### **FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY**

In 2010 the cabinet launched its Fairer Future programme. It set out the council's vision and ambition for our borough - a vision which saw all of us working together in partnership to create the circumstances in which all of our residents are able to achieve their potential, in education, employment, housing and leisure.

We recognised that as a council we had to change in some fundamental ways. The way we treated those we came into contact with had to improve, so that we all treated each other as we would a member of our family, treating each other with the same respect and compassion. And that as a council we had to realise that we held the public's money as trustees for our community and those who live in our borough. There is an obligation on us to treat that money as if it comes from our own pockets.

In July 2011 we approved our first council plan. This set out the key things that we will deliver over the next three years. Most importantly, it marked the start of a new relationship between the council and our residents, built on trust, openness and transparency in all we do. This interim performance report is our first report on progress against the promises and objectives we set in the council plan. We'll report back again at the end of the financial year with a full update on the first year of the council plan.

### **RECOMMENDATIONS**

That cabinet

1. Notes the council plan interim performance report for 2011/12.

### **BACKGROUND INFORMATION**

2. Over 2010-11 there were a number of changes to the central government performance requirements that had guided previous council plans (or 'corporate plans'). The council therefore had greater flexibility than in previous years to develop a plan to suit its own circumstances.
3. A new council plan was approved by council assembly in July 2011, with the council agreeing a set of locally determined performance measures, for its own purposes that reflect local priorities. It identified a number of key promises and objectives that would reflect how we will achieve the council's fairer future vision

and placed local needs and accountability as the main drivers of performance improvement.

4. A number of performance management arrangements for the council plan were proposed in the report for council assembly, one of which was to report back to cabinet in an interim report.
5. The council plan interim performance report outlines the key achievements over the first half of 2011/12. This report is an in-year position statement on the extent to which the council is on track to achieve its performance objectives.

## **KEY ISSUES FOR CONSIDERATION**

### **Interim performance position**

#### **Fairer future promises**

6. The council plan outlines ten “fairer future” promises. The council is on track to deliver these promises by the end of 2011/12. The ten fairer future promises are:

*Provide improved value for money and keep council tax increases below inflation.*

*Work with residents and the police to make the borough safer for all by cracking down on antisocial behaviour and implementing our new violent crime strategy.*

*Deliver the first three years of our five year plan to make every council home warm, dry and safe.*

*Improve our customer service with more online services, including delivery of a better housing repairs service, independently verified by tenants.*

*Introduce free healthy school meals for all primary school pupils, and champion improved educational attainment for our borough's children.*

*Support vulnerable people to live independent, safe and healthy lives by giving them more choice and control over their care.*

*Encourage healthy lifestyles by transforming Burgess Park, opening a new swimming pool at Elephant and Castle and awarding £2m to local projects to leave a lasting Olympic legacy.*

*Open Canada Water library in autumn 2011, open a library in Camberwell and conduct a thorough review of the library service.*

*Bring the full benefits and opportunities of regeneration to all Southwark's residents and build new family homes on the Aylesbury Estate and at Elephant and Castle.*

*Double recycling rates from 20% to 40% by 2014 and keep our streets clean.*

#### **Cabinet portfolio performance schedules**

7. The interim performance report sets out in more detail the progress made against objectives within each cabinet portfolio including key milestones

achieved over the first six months of 2011/12. A summary of progress for each portfolio is included below.

### **Children's services**

8. There has been vast improvement in education provision and outcomes. Results continue to improve, Southwark's children performed better than the national average at KS2 and on par at KS4. Three quarters of our primary schools are judged by Ofsted as "good or better" and we have seen the number of schools below floor target move from six to two in the past 12 months. Our looked after children also achieved the second best GCSE results in London this year.
9. We continue to deliver high quality specialist services. Our recent inspections of youth offending, fostering, and adoption provision all evidencing good practice with some outstanding features.
10. Thanks to the commitment and dedication of our staff and schools Southwark's Children's Services was judged by Ofsted as "Performing Well".
11. We are on track to meet the growing demand in our primary schools to ensure that all Southwark children who want a place in a local school are offered one by 2014.
12. Our secondary school capital programme continues to deliver, with Spa School completed in September, and the first phase of St Thomas the Apostle College due to complete in February 2012.
13. Successful launch of the youth fund including its innovative university scholarship scheme, and ongoing implementation of the Teenage Pregnancy Commission's recommendations.
14. Good involvement of young people in service design and commissioning, and real power over the use of youth service budgets.
15. Since September 2012, free healthy school meals received by all reception and year 1 pupils, and future roll out on track.

### **Housing services**

16. We promised to create a dedicated, professional housing department and this has been in place from September 2011. The new flattened structure creates the impetus for significant improvements with centralisation of key functions such as voids and income collection and streamlining processes such as the repairs service where we have already seen significant improvement in satisfaction, right first time and remarkable reductions in overall disrepair and new repair complaints.
17. To improve the council's efficiency we identified savings of £19.8m in the housing revenue account (HRA) over a period of three years. Nearly half of these savings (£9.1m) were earmarked for 2011/12 and most have been accounted for in the department's restructure rather than significant cuts in services. The savings target remains on track with only minor variations.
18. Satisfaction with landlord services is at an all time high since 2000/01 despite the savings. Overall satisfaction with landlord services has improved from 71% in

2010/11 to 75% so far this year. However we need to work more on improving opportunities for participation with 54% satisfied so far this year, a similar position to that of 2010/11.

19. Increase in satisfaction with housing services can be substantiated by a decrease in new complaints. New stage 1 complaints have decreased by over 15% compared to the same period last year and we've reduced the amount of compensation paid to date by 41%.
20. We are moving in the right direction with our 'warm, dry and safe' investment programme. Following extensive stakeholder consultation, the five year investment programme budget has been adjusted to £326m (initially it was £308m). The programme was submitted for cabinet approval in October 2011 and we are consulting with residents on how they wish to be involved in the process. The council continues to progress schemes in the 2011/12 programme and although there has been some slippage the majority of schemes will be committed and on site before the end of the financial year with the remaining projects worked up and ready to start early in the new financial year.
21. We promised that practical improvements will be made to ensure that service charges for homeowners are accurately estimated and billed, that major works are value for money and that charges for major works are fully explained to homeowners. The leaseholder audit action plan is on track to deliver the recommendations resulting from the audit. The implementation of the new billing and accounts receivable (BAR) service charge system will be ready for the go live date of April 2012.
22. Scrutiny of homeowners service charges is in the process of being carried out within home owner unit division and recommendations will be implemented as soon as practicable
23. The repair service has shown real improvement over the last six months as evidenced by monthly telephone surveys. More residents are satisfied with 'overall repair service' and importantly more repairs are being completed correctly right first time. This is in part due to implementation of most of the recommendations from the overview and scrutiny committee and implementation of actions resulting from the 'end to end' repairs review. Historically, repairs budgets have been under pressure and often overspent. This year, the budget is on track primarily owing to closer monitoring and accurate forecasting with a focus on becoming increasingly commercially driven and stronger contractually in future months. We are sustaining excellent performance in relation to gas servicing and are hoping to extend our programme to leasehold dwellings
24. Turnaround time for voids remains one of the quickest amongst other London boroughs. Void loss is within budget and the formation of central voids team will introduce more robust measures to further reduce turnaround times and void loss.
25. 91 illegally occupied properties have been recovered between April 2011 and December 2011.
26. We have brought 67 empty private homes back into use (target is 135 properties) between April 2011 and September 2011.

27. We continue to use our housing stock effectively and minimise the number of people in temporary accommodation. The number of residents in temporary accommodation is well within target with 696 residents in temporary accommodation as of September 2011 against a target of 750 by March 2012. Bed and breakfast placements have virtually halved since April whilst other authorities have reported increases; this achievement puts us 4<sup>th</sup> when compared to all London boroughs. This compliments our excellent performance in preventing homelessness. At the end of the 2<sup>nd</sup> Quarter of 2011, for the period covering 01/07/2011 - 30/09/2011, Southwark prevented 776 households from becoming homeless; this performance out performs all other London boroughs.
28. The council-wide initiative to improve the delivery of on-line services is progressing well. Improvements so far include;
- Service charge portal that is due to go-live in April 2012.
  - Communications team are running a 'do it online' promotional campaign in January 2012.
  - A service migration board has been established to give "pace and urgency" to on-line service provision.
  - "In my Area" went live in October, providing a host of information about locally delivered services.
  - Mobile website has gone live in December. This will enable customers to access the council's website from a mobile device to access information and request services.
  - The *MySouthwark* personalised account is due to go-live in February 2012. This will be the platform for delivering many personalised council services to customers.
29. Southwark's housing services has gone mobile as of October 2011. The newly launched mobile office visits seven locations around the borough at specific times and offers all the services that residents may need including housing advice, monitoring repairs, advice on rent arrears, reporting antisocial behaviour and tenancy queries.
30. The resident involvement strategy is currently being revised in consultation with residents. Also, a review of rehousing policies for housing regeneration schemes is being considered as part of a wider policy review of the council's housing lettings policy.
31. Fulfilling a key priority, the fire risk assessment register is now on line and individuals are able to request detailed information. Work is underway to also make these detailed FRAs available on line.

### **Transport, environment and recycling**

32. The recycling rate between April and October was 27.78% - 3% up on last year. We've introduced a new weekly food and garden waste recycling scheme, along with an alternate weekly collection of residual waste and dry recycling, saving money and emissions from refuse trucks from October 2011. These new schemes represent the biggest change to our refuse collection service since the introduction of wheeled bins back in the early '90's and whilst we had some initial teething problems, the new arrangements have now settled and the recycling rate is already showing the benefits of implementing this radical change. We are

also in the process of commissioning our new £100m waste minimisation facility which is set to improve the recycling rate both for year-end and into the future.

33. Alongside the development of the new facility, officers have been working to connect the existing South East London combined heat & power plant (SELCHP) to the council estate. This will mean the currently wasted heat from the plant is put to good use to ensure our residents are warm in their homes and have hot water on demand. This scheme, assuming it proves viable, will mean cheaper heating and hot water for tenants, will stop over 10,000 tonnes of CO<sub>2</sub> polluting our environment each year and will finally realise the aspiration of the SELCHP by making the extraction of 'heat' a reality for the first time.
34. The council agreed its energy and carbon reduction strategy in September 2011. This means that for the first time, we have a clear plan to reduce energy and carbon emissions, both from the council's operations and the borough as a whole. The strategy sets clear targets and actions and includes a list of clearly identified projects that allow us to meet our aspirations.
35. The cleanliness of the borough's streets has been assessed on two occasions so far this year. Compared with last year our litter grades to date are marginally down, dropping from 96% graded as acceptable to 94%. In terms of detritus our grades to date are in line with what we achieved in 2010/11, with 91% graded as acceptable.
36. Current resident satisfaction with street cleanliness at 83% as of October 2011.
37. Current resident satisfaction with, parks and open spaces is 82% and street lighting 83% and 51% for roads.
38. Significant amounts of residual waste are already being diverted from landfill and once the new facility is fully operational, we will be able to reduce the amount of waste we have to bury in the ground still further.
39. Slight increase in the April to September cost of recycling per tonne as this incorporated the cost of the receptacles for the alternate week collection roll-out. These one-off costs skew our performance to date and we are confident that by the end of the 2011/12 financial year, we will have met our targets in terms of reduced costs.
40. 59 big CO<sub>2</sub> emitters working with us to reduce carbon members as of December 2011.
41. In the public realm one of its biggest projects was the £6m revitalisation and transformation of Burgess Park. Phase one of the improvements are now scheduled for completion by May 2012. Once completed Burgess Park will offer a wide range of healthy activities and sport including tennis football, rugby, cricket adventure play, outdoor gyms, fishing, go-karting and BMX. Many of these facilities will be refurbished or newly installed. We are developing a new model for the delivery of these sports within the park in association with the sport clubs and other users to deliver a tailored and coherent programme of use in each of these facilities which will then link to the clubs and organisations based in the park.
42. The biodiversity of Southwark's green spaces is improving and the percentage of all local spaces in Southwark where positive conservation management has



taken place now stands at 76%. Brenchley Gardens and Snowsfields School Nature Garden received scrub management, Pond enhancement, building stag beetle loggeries and native planting by ecology officers and volunteers, and Southwark's Parks and open spaces increased their habitats of wildflower meadow, ponds and reedbed by 0.5 hectares. Russia Dock Woodland had extensive ecological enhancement including the creation of new meadow, new reedbed, and enhancement of the wet woodland, and a new nature garden has been completed in Peckham Rye Park. Over 500 volunteers have worked with the parks department to manage and enhance the wildlife of Southwark.

43. The current target to increase the level of street trading and markets across the borough is being met and will remain on target to end of the financial year 2011/12. This is a marked improvement following a decline to under 60% of occupancy at the end of 2010/11. This year has seen improvements to markets areas, including investment of £400K in East Street that has brought about increased numbers of new traders, increased income, a reduction in arrears and a substantial 20% reduction in the street trading account deficit that stood at £820K at the beginning of the financial year.
44. Over 500 volunteers have worked with the parks department to manage and enhance the wildlife of Southwark.
45. Illuminated signs, bollards and pedestrian crossings are being converted to LED. The expected performance and extended life will reduce failures allowing quicker response on other items.

#### **Culture, leisure, sports and the Olympics**

46. It has been an unprecedented year for libraries: we have completed an extensive and complex review of the entire service in order to achieve £397k of savings, carried out wide consultation on the package of measures proposed and as a result no libraries were closed.
47. Whilst opening times have changed, we managed to open for more days by programming the reduced hours for peak times of use – ensuring that after school use by children can continue, that people on their way home from work can access the library and that schools still have a chance to visit libraries during the day. All day Saturday opening has been retained as this is the day most used by families.
48. The new Canada Water library received more than 50,000 visits in the period 28 November to 8 January this year, averaging 1,400 per day. It also loaned over 36,000 items during this time, averaging over 1,000 per day. This makes Canada Water the busiest library in Southwark. Statistics for December show a 600% increase in levels of use compared to the old Rotherhithe Library. Over 2,500 new members have enrolled since the library opened and in December 3500 hours of Wi-Fi time were used – the most in Southwark with John Harvard having the next highest level of use at just over 2,000 hours.
49. Public satisfaction with libraries shows a 4% improvement for overall satisfaction, bringing the rate to 94%.
50. Investment in the leisure centres and a new service contract with Fusion has contributed to an increase in public satisfaction with leisure facilities. The most

recent survey data shows an overall satisfaction rate of 93%, a 15% improvement on the previous result.

51. A £2m package of Olympic legacy projects was approved by cabinet in October 2011 and is on track for delivery by the target date of March 2014. Currently, projects are in the implementation stage and are busy revising project plans, costs and marketing plans. All projects bar one, will have either been completed or be on site by September 2012. Upon completion in 2014, Southwark will be home to at least nine new or refurbished sporting facilities that will increase participation in or improve access to sport and physical activity.
52. Southwark Adult Learning Service has increased its learner numbers by 50% in the last three years. The number of learners recruited has exceeded the target number agreed with the Skills Funding Agency for two consecutive years. Course completion rates have been improved from 70% to the current 90%.
53. Visitor numbers have increased significantly across leisure services from 558,211 in October 2009 to 732,118 in October 2011. There has been significant investment in our leisure centres. Surrey Docks Watersports Centre has been completely refurbished to improve the sailing facility, install a new 75 station gym, upgraded clubroom and to give special emphasis to disabled access to the centre. In addition to this Camberwell and Dulwich Leisure Centres have been substantially refurbished including complete upgrades to pool hall environments, reconfiguration of changing rooms, new entrances and cafe areas and bringing them into line with DDA requirements. Work is now being progressed on the design of a new centre for Elephant and Castle.

#### **Health and adult social care**

54. We have reduced the price of meals on wheels by 14% as part of a phased reduction of 50% over three years.
55. Further progress has been made on increasing service user choice and control through self directed support, with around 50% of community services users now benefitting from a personal budget. This represents a significant achievement over and above the national target of 30% by March 2011, which Southwark comfortably met.
56. "My Support Choices" has been rolled out, providing an online guide that enables people to easily explore the options available to meet their support needs and promote independence.
57. A dedicated access and information telephone service is up and running for older people and carers.
58. Reablement services are expanding, providing short periods of support for around 60 people per month in order to enable them to regain full independence where possible. This has helped deliver our targets to increase the numbers of people who are able to remain living in their own home rather than being admitted to a care home.
59. Delayed discharges from hospital have been kept at a low level, with just 94 patients delayed to the end of November compared to 147 at this time last year. Of these only 21 were classed as a delay caused by social care services. This performance is significantly better than the inner London average and

demonstrates that timely and effective support is being offered for people leaving hospital.

60. The Charter of Rights has been implemented, highlighting what people in Southwark can expect from adult social care services.
61. Significant savings have been made through improved commissioning of supporting people services, making a major contribution to the overall savings program whilst minimizing impact on service users.
62. The recently published national adult social care user survey shows that 58.1% of our service users were extremely or very satisfied in 2011, compared to the inner London average of 54.8%. In all 86.5% gave a positive satisfaction rating compared to 85.7% across inner London.
63. The national survey also demonstrated good adult safeguarding outcomes are being achieved, with 66.8% of service users reported that care services helped make them feel safe and secure compared to 53.7% across Inner-London.

### **Regeneration and corporate strategy**

64. In April 2011, the first Aylesbury residents moved into 52 new homes off Westmoreland Road, further homes are due for completion over the next few months. In addition, the new Southwark resource centre for adults with disabilities and the elderly was completed in June 2011.
65. Following the loss of circa £180m in private finance initiative funding for the Aylesbury estate, the council reviewed and revised its regeneration implementation strategy. The council commenced a land transfer for Site 7 (located on corner of Thurlow Street and East Street, currently occupied by 1-59 Wolverton). A high level of market interest was received and four strong potential partners have been shortlisted. The council expects to appoint a preferred partner in April 2012. The council has also started to look in more detail at the possibility of a longer-term development partnership, commencing work on sites 1b and 1c. The cabinet will consider this proposal in May 2012. The council's partnership with the Creation Trust, a resident led charity, has continued to develop. The Creation Trust is focusing on social and economic regeneration and the council focusing on physical regeneration. A four year funding agreement was signed in May 2011.
66. Lend Lease has been carrying out extensive consultation on the Heygate masterplan. They have established a regeneration forum and resident and business liaison groups to facilitate the engagement process with key stakeholders. In addition, they have opened a consultation hub at 188 Walworth Road which is open to the public to review information about the scheme as it develops.
67. Lend Lease have also continued to develop the design and technical work to support submission of what will be a significant planning application for regeneration of the Elephant and Castle, which is on schedule to be submitted in March 2012. Southwark and Lend Lease have also worked closely with the Greater London Authority and Transport for London to agree transport mitigation measures which are necessary to enable the growth in new housing and jobs to take place. These works will increase capacity of the northern line station and improve the public realm around the northern roundabout.

68. The cabinet agreed a draft supplementary planning document in November 2011, and the council's planning policy team has been undertaking meetings, exhibitions with residents as part of the consultation process.
69. In order to ensure that the former Heygate estate is secure and that public safety is maintained the council has funded a new perimeter fence around area of the estate south of Heygate Street.
70. The cabinet agreed to enter into a partnership agreement with Lend Lease which will deliver a new landmark residential tower and leisure centre comprising of a swimming pool, sports hall, gym and studio on the existing Elephant and Castle leisure centre site. Design teams have been appointed to prepare a scheme for submission of a planning application in summer 2012 and the first consultation with the public has been undertaken.
71. The council has reached an agreement with St Modwen's the owners of the shopping centre, which will help to bring forward the regeneration of this important site. The council, Lend Lease and St Modwen's have agreed to enter into a cooperation agreement which will help to coordinate implementation of the regeneration vision for the area.
72. The new Canada Water library was delivered on budget and opened to the public in November 2011. Construction of the plaza around the library is programmed to finish by March and will complete the new civic heart for the Rotherhithe area. Delivery of new housing continues with 220 homes; 74 affordable, occupied in the first half of the year with a further 57 affordable units due for completion in February. The area action plan is nearing the end of its adoption process and should become policy in March 2012. During the examination in public in August the owners of the Harmsworth Quays print works site confirmed their intention to relocate the facility.
73. There is now over 60 acres of land at Canada Water where either the construction is underway, the site is going through the planning process or else is being actively progressed by the site owner for development. One of these is the Surrey Quays shopping centre and in December a planning application was received for a major 10,000 sqm extension. Slightly away from the town centre, the project team continues to work with local stakeholders to bring forward proposals to regenerate the Albion Street area.
74. Bermondsey Spa has continued to deliver new homes, commercial space and public realm projects. Nearly 1,000 new residential units, approximately 50% of which are affordable, will have been completed by March 2012 with a further 350 on site and due for completion by the end of the year. Four new shops have been completed and let with existing retailers moving to this space along with a new delicatessen. Section 106 funding has been invested to refurbish roads and pavements and improve pedestrian and cyclists safety throughout the area.
75. A streamlined core employment support programme implemented for 2011/12 to accommodate Working Neighbourhood Fund (WNF) budget reductions has achieved considerable value for money improvements: the 82% loss of funding following cessation of WNF has meant only 49% fewer job outputs to date and shows further improvements each quarter. The programme overall is 66% more efficient than in previous years in both job outputs and unit costs. Section 106 contributions have supported the core programme infrastructure and have

provided specific support for young people through “Foot In The Door”; providing valuable work experience for young people aged 16-19 years.

76. Section 106 funding continues to be used extensively to secure jobs for our residents. Support for sector specific work including the arts, retail, hospitality, childcare and the construction industry continue. The Shard Section 106 has already delivered investment in Southwark College, where new "real working environments" have already benefited 600 learners (rising to a 1,000 by summer 2012), and has brought 58 residents into sustained employment in construction so far; substantial further programmes are in development for opening up the combined 10,000-plus jobs in the Shard and the Place to support vocational programmes, inspiring interest in jobs and matching training and qualifications to employer demand. The construction employment model BLCF (Building London Creating Future) continues to give developers a successful method to train and provide long-term job opportunities for local people at numerous development sites across Southwark.

### **Equalities and community engagement**

77. Implemented democracy commission changes to council assembly to make it more engaging and relevant to local people. Phase 2 of the democracy commission has now concluded its review of community councils for implementation in 2012.
78. The national survey of third sector organisations revealed that our rating in terms of voluntary sector organisations saying that we influence their success has exceeded the target set of 15%, increasing to 23%: the second highest rating of all London boroughs.
79. The voluntary sector commissioning task and finish group has produced its recommendations on streamlining the way we commission services from the voluntary sector and reducing costs to the council and the sector.
80. Our volunteering strategy has been published and a new volunteering portal has been launched signposting people to volunteering opportunities across the borough.
81. The withdrawal of government funding to support the voluntary and community sectors had a dramatic impact in Southwark. The successful implementation of a local transition fund of £1.5 million over two years has enabled us to promote modern ways of working within the sector thus ensuring greater viability for the future. Over 40 bids have been agreed helping 54 local organisations to work on their sustainability for the future.
82. 88% of people surveyed think Southwark is a place where people from different backgrounds get on well together, an increase from the previous year of 8%.
83. The net agreement rating of people surveyed who say that they feel involved in council decisions reduced from 7% to 4%. This reflects similar reductions for other local authorities in the current climate of severe reductions in our funding. The number of people surveyed who say the council takes account of residents' views is 46%, which is consistent with the London average of 46%. The survey fieldwork was carried out prior to fully implementing the changes recommended by the democracy commission to make council assembly more engaging and relevant to local people.

### **Community safety**

84. The percentage of people who feel safe walking alone after dark had risen to 76% in June 2011, from 74% at the end of 2010/11.
85. There has been a significant reduction in violent offences. There were 3142 violent offences in the first half of 2011/12, which is a 21% reduction compared to the same period 2010.
86. Unfortunately, we saw a decrease in confidence in the police and council to tackle crime and antisocial behaviour. This was according to the Police Public Attitude Survey, which saw a reduction from 50% to 47% for 12 months ending March 2011 compared to 12 months ending June 2011. Although, for the first three months of 2011/12, confidence levels were at 76%. In addition the council's reputation survey, for October 2011, indicated improvements in the perceptions of a number of crime and anti social behaviour categories. The largest improvement can be seen within the proportion of residents who identify dogs causing nuisance or mess which has decreased by eight points to 25%. The proportion who think violence among young people is a problem have dropped five points to 18% and the problem of teenagers hanging around the street has also decreased by five points to 23%.
87. The number of opiate and crack users (OCUs) exiting treatment successfully is below target. However, our figures for OCUs exiting treatment in a planned way are 8% higher than the previous year and our performance is improving.
88. Compliance of premises with health and safety, trading standards, licensing and food safety regulations has increased to 88%.
89. Using Home Office cost of crime figures, the cost of violent crime has decreased by 5% between April and September 2011, compared to the same period the previous year.

### **Finance and resources**

90. Council tax collection forecast for 2011/12 is on track at 55.51% to meet the annual target and is ahead of performance at Q2 against 2010/11 (52.99%).
91. National non domestic rates (NNDR) collections for Q2 of 2011/12 (59.48%) are currently lower than Q2 of 2010/11 (61.48%). There has been an increase of £5m in the amount of NNDR that the council has to collect from September 2011 which affected the collection rate. Action is being taken to ensure the collection target is achieved by 31 March 2012. This includes:
  - Targeting large debts to ensure appropriate action is taken.
  - Working closely with bailiff companies to ensure robust action is taken on outstanding debts where appropriate.
  - Instigating insolvency actions against persistent non payers.
  - Outbound calling to collect payments over the telephone prior to court action, instructing bailiffs and where arrangements are in default.
92. A new housing structure was put in place in September 2011, including a new team that will focus on improving the customer experience of our customers. The

Head of this newly formed customer experience team is closely working with all stakeholders to develop a customer experience strategy. The strategy will be developed across all portfolios and is due to be in place by March 2012.

93. Targets are now in place to measure progress against the objective to “ensure all our staff are in fit for purpose, suitable office accommodation”.
94. 2010/11 statutory accounts completed on time and to higher quality than 2009/10.

#### **Council plan monitoring arrangements**

95. The review and monitoring of targets will be ongoing throughout the year with progress updated at least every six months. Performance will also be reported more formally through an annual report, which will provide full analysis of the council’s performance for the year.
96. The council’s website will be updated with new performance information, including any new performance objectives and/or milestones in line with these monitoring arrangements.

#### **Community impact statement**

97. The purpose of this report is to outline the key achievements over the first half of 2011/12. As such no decisions are being made as part of this report and it therefore has no direct impact on communities. However, future decisions made on the basis of overall council performance as highlighted by this report would require detailed consideration of the impact on local people and communities as appropriate.

#### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Council Plan	160 Tooley Street, London SE1 2QH	Alex Irvine 020 7525 3672

#### **APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix A (to follow)	Detailed progress report against the ten fairer future promises and full updated Cabinet portfolio performance schedules

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Fiona Colley, Regeneration and Corporate Strategy	
<b>Lead Officer</b>	Eleanor Kelly, Deputy Chief Executive	
<b>Report Authors</b>	Stephen Gaskell, Head of Strategy and Partnerships Alex Irvine, Principal Strategy Officer	
<b>Version</b>	Final	
<b>Dated</b>	27 January 2012	
<b>Key decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law & Governance	No	No
Finance Director	No	No
All strategic directors	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	27 January 2012	



<b>Item No.</b> 12.	<b>Classification</b> Open	<b>Date:</b> 7 February 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Lambeth and Southwark Shared Legal Team Proposals for the Way Forward	
<b>Ward(s) or groups affected:</b>		All wards	
<b>Cabinet Member:</b>		Councillor Peter John, Leader of the Council	

### **FOREWORD – COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL**

This report represents an important step forward in Southwark and Lambeth councils working together in order to improve the services which are provided to our residents whilst making significant financial savings.

Our legal departments have already developed and implemented a joint framework agreement for the purchasing of barristers services which will provide significant savings. However, following significant work our legal teams have agreed that further work can be done to join up the Litigation, Regulatory and Property teams in Southwark and Lambeth, in order to take advantage of the real expertise which exists in those areas across both councils.

It is my hope that the good work and good practice which we develop in Southwark and Lambeth can be extended to other boroughs in due course, bringing with it even greater savings and efficiencies for the residents of our boroughs.

### **RECOMMENDATIONS**

1. That the Cabinet notes the work that has been done on exploring shared legal services with Lambeth.
2. That the Cabinet approves the proposals detailed in this report to:
  - Establish a pilot joint litigation team with Lambeth under the leadership of Southwark's new head of litigation;
  - Establish a joint regulatory and prosecutions team under the leadership of a Lambeth senior regulatory lawyer; and
  - Establish a pilot joint property team in Southwark.
3. That the Cabinet notes that following the success of the pilot to share a business manager with Lambeth that this will become a permanent arrangement under the new legal services structure.
4. That the Cabinet instructs officers to continue to explore opportunities to develop shared legal services with Lambeth over the next year and to report back to the Leader on developments.

## BACKGROUND INFORMATION

5. The councils of Southwark, Lambeth and Lewisham have entered into a commitment to work together with a view to sharing services between the authorities, so that new ways can be found to deliver services at reduced costs or to provide better value for money. Such an approach compliments Southwark Council's Business Plan and addresses Lambeth's long-term goal of delivering savings by reviewing the levels and nature of their legal work that remains outsourced, including all of its general (non-housing) litigation and contract disputes, and a proportion of contract advice and property work.
6. In June 2010, Cabinet approved the development of a joint Barristers Framework with Lambeth. This has now been awarded and is due to go live in April 2012. The levels of Counsel's fees agreed under this framework are highly competitive, and participation within it has now been offered to other London authorities, who may pay a fee to Southwark and Lambeth to join the framework.
7. In April 2011, in order to reduce administrative costs for both authorities Lambeth's Legal Services Business Manager was shared with Southwark, on a part-time basis. This not only enabled Southwark to benefit from the services of a skilled and experienced manager at a reduced cost, but has also enabled the identification of opportunities to improve back office services and information technology to reduce overheads, for example the development of an extranet system with Lambeth to monitor the Barristers Framework Contract and the development of legal's case management system to interface with the council's financial management systems.
8. Since then, Lambeth and Southwark have been working closely together to find opportunities for further savings by further collaboration. At the same time, Southwark Legal Services is committed to delivering £600,000 of savings over the years 2012/13 and 2013/14, and is undertaking a major internal reorganisation to achieve this. Lambeth is also reorganising their legal service to make efficiency savings and has identified £100, 000 to be delivered specifically in 2012/13 from sharing legal services with Southwark. It has identified the potential for saving by bringing legal services back in-house from external law firms, but does not have the capacity to deliver that service. Southwark, with a larger in-house legal team, can develop the capacity to deliver some of the services which Lambeth needs.
9. Undertaking legal work on behalf of Lambeth should enable Southwark to generate a small amount of income to contribute to savings targets and allow Lambeth to deliver their efficiency savings, because it will be cheaper for Southwark to undertake this work on their behalf, rather than instructing expensive external solicitors.
10. Southwark have set an income target of £100k to be delivered from the pilot by 2013/14. Income achieved from the first year of the pilot in 2012/13 will be reviewed to assess whether the income target for 2013/14 is achievable. If at that stage, the income projections are on target, it is likely the pilot will continue to 2013/14. If however the income target cannot be achieved, further consideration will need to be given as to whether this proposal should continue.

## KEY ISSUES FOR CONSIDERATION

11. The key driver behind these proposals is to make savings while maintaining the quality of the services that both authorities require and meeting the demand within both authorities. While there are considerable opportunities, there are also risks to be managed in moving to share more legal services. In particular, a charging model needs to be developed that saves both authorities money and is trusted by client departments as transparent, fair and credible. Where both authorities already have large, well managed and efficient teams there are limited savings to be made from combining services and considerable potential costs in restructuring. The focus has therefore been on identifying areas where one authority has a current lack of capacity, or where teams are small and aggregating them can improve quality and reduce management costs.
12. The approximate total expenditure on the provision of legal services in Southwark is £12m, of which £5m is spent on the procurement of "bought-in" legal services, including external solicitors, counsel and other disbursements, such as court fees. The comparable figures for Lambeth's legal services are approximately £8m, of which nearly £4m is spent on external services and other disbursements.
13. The difference in the cost of legal services in Southwark and Lambeth is primarily due to two factors:
  - The size of the housing stock in Southwark which is approximately 45,000 properties;
  - The significant regeneration which is taking place across the borough, such as the Elephant and Castle development, the Aylesbury development and Potters Field.
14. The Business Model options which have been considered to deliver the shared legal teams are:
  - Seeking to develop a shared legal team which would include shared management structures;
  - Developing shared legal teams by the development of shared legal teams across both authorities, this would include the joint appointment of staff to deliver the service;
  - Southwark to undertake legal work on behalf of Lambeth under a Service Level Agreement.
15. Each of these options were carefully considered with advice being taken from human resources in both Lambeth and Southwark on the employment implications of these options.
16. Senior managers in Southwark and Lambeth both fully support the option of developing shared legal teams located in either Southwark or Lambeth. However current employment legislation and respective HR policies in both authorities make it extremely difficult to create shared legal teams without a major and costly joint restructure, which is not supported by the prospect of savings across the whole service and which might delay the savings already identified by both authorities for 2012/13. It is therefore more appropriate to continue with current practice, at least in the short term, which is to seek to

second staff from one authority to the other, under a secondment agreement and share the cost of the post between both authorities.

17. In order to manage the risks mentioned above, and in order to move swiftly within the HR constraints, the quickest and simplest option to deliver some shared legal services for Southwark to undertake legal work on behalf of Lambeth on an agency basis under a Service Level Agreement and create shared teams by seconding staff from Lambeth into vacant posts on the Southwark Legal Services structure.

### **Aligning reorganisation processes**

18. Southwark Legal Services have recently completed a staff consultation process on the reorganisation of the service. During the consultation process staff were made aware of the intention to develop shared legal teams with Lambeth and the possible income stream which this might produce. The new structure in Southwark will be implemented from 1 April 2012 onwards.
19. Lambeth are also reorganising their service to deliver efficiency savings. As part of the process to develop shared legal teams, consideration was given to seeking to align the reorganisation process. This has however proved to be difficult due to the size of the respective services and different HR processes. The proposals set out in this report for piloting services under a Service Level Agreement will be developed alongside the current structure of Legal Services and therefore will not impact on the legal budget or current staff employment rights. Staff would be specifically recruited to undertake Lambeth's work on a fixed term basis.
20. This approach will enable the pilot to be evaluated to see whether it delivers the savings expected, and either extended, expanded or closed down depending on its success.

### **The way forward**

21. Based on the agency model with Southwark undertaking work on behalf of Lambeth, it is proposed that the legal teams be developed as follows:

#### **Head of Litigation**

22. This is a permanent post on Southwark Legal Services structure. This post will be appointed to in accordance with Southwark's Human Resources processes. Lambeth will be asked to sit on the interview panel for the appointment. Initially this post will be ring fenced to senior managers in Southwark. If an internal appointment is not made, an external advert will be placed.
23. The successful candidate will be expected to lead on the development of a shared service to Lambeth.

#### **Joint Litigation Team**

24. The Head of the Litigation team will take the lead on establishing this team which will run as a pilot for 1 year. Staff will be recruited to undertake this work for Lambeth on an agency basis or Fixed term contracts.

25. A service level agreement will be developed with Lambeth which will detail the services to be provided, performance information, costs and charges for the service. The team would sit alongside the Legal Services structure reporting to the Head of Litigation.

#### **Joint Regulatory and Prosecutions Team**

26. The head of this team remains on Southwark's Legal Services structure as a Senior Regulatory Lawyer. Recruitment to the post will be by means of a secondment from Lambeth initially for 6 months. The secondee will report to the Head of Litigation and will be expected to lead a team of lawyers in Lambeth and Southwark to provide the prosecutions function to both authorities. It is anticipated that the team could be based in either Lambeth or Southwark, but the location of the team will be subject to further discussions between managers.

#### **Property Team**

27. It is proposed that a small team of staff are established to undertake property work on behalf of Lambeth. Following review of the cases, consideration may be given to taking a small amount of work from Lambeth, again as a pilot for one year. Recruitment to the team will be on an agency or fixed term contracts and the service will be delivered through a service level agreement.
28. Lambeth currently have an in-house team undertaking property work and careful consideration will have to be given to the possible TUPE implications if this work is transferred to Southwark.

#### **Future opportunities**

29. The development of shared teams/posts across both authorities is an evolutionary process, both authorities will take the opportunity to explore and develop further shared services as opportunities present themselves. This may include a shared Contracts and Planning Team located in either Southwark or Lambeth, in addition to the possible creation, in due course, of shared Property and Prosecutions Teams, as mentioned above. All opportunities will be considered as they arise for making further savings.
30. If these pilots are successful, consideration will be given to extending the service to other authorities.

#### **Indicative timetable**

31. An indication of the timetable for implementing the shared teams/services is detailed below. Due to the need to deliver efficiency savings in Lambeth the shared teams/posts must be in place by mid 2012 to achieve the savings target.

<b>Post / Team</b>	<b>Proposed Date</b>	<b>Location</b>
Head of Litigation	31 March 2012	Southwark
Joint Litigation Team	July 2012	Southwark
Senior Prosecutions Lawyer and joint Prosecutions Team	1 April 2012	Southwark or Lambeth
Property Team	July 2012	Southwark

Post / Team	Proposed Date	Location
Business Manager	Ongoing	Southwark and Lambeth

#### **Comments from Human Resources (Lambeth)**

32. Lambeth HR have reviewed the proposals, and are content that they will make arrangements locally to implement proposals within Lambeth's policies and procedures, in consultation with Southwark legal and HR teams.

#### **Comments from Human Resources (Southwark)**

33. The proposal to establish a shared service model for both boroughs in delivery of areas of legal work presents a number of HR/Management issues that should be considered in terms of practical operation of any shared services arrangement.
34. It should be noted Southwark has successfully undertaken 'partnership working' with other organisations in delivery of service such as in health (with the NHS) and in transport planning and delivery with a private sector provider.

#### **Community impact statement**

35. This decision is judged to have no impact on local people, businesses and communities, because the legal teams in both Southwark and Lambeth are in-house teams providing legal advice and support to service departments.

#### **Resource implications**

36. The development costs of these proposals will be contained within current budgets. Any additional savings to those identified already in the 2012/13 budget will be recognised in Legal Services proposals for the 2013/14 budget. The forecast additional income is therefore over and above these savings proposals.

#### **Consultation**

37. Consultation with staff in Southwark around developing shared legal team with Lambeth took place as part of the Legal Services reorganisation proposals. Staff in Lambeth has also been made aware of the proposals.

#### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

##### **Strategic Director of Communities, Law & Governance**

38. The report before Cabinet explains the discussions which are taking place between Southwark and Lambeth Councils for sharing legal services.
39. This report also seeks approval:
- to establish a pilot scheme for joint teams for litigation, regulatory & prosecutions and property
  - to explore over the next year further opportunities for shared legal services with Lambeth Council.

40. There is no specific power which permits the council to enter into shared services with another authority. The legal powers are contained in a variety of legislation including section 101 of the Local Government Act 1972, sections 19 and 20 of the Local Government Act 2000 and the Local Authorities (Goods and Services) Act 1970. The combined effect of this legislation is to give local authorities the powers to second staff to other organisations and to do anything which will improve the economic, social and environmental wellbeing of the council's area.
41. There is a proposal (paragraph 16) that employees are seconded to and/or from Lambeth Council. Section 113 of the Local Government Act 1972 provides that local authorities may, for the purposes of their functions, enter into an agreement with another local authority to second employees.

### **Finance Director**

42. This report recommends that the Cabinet notes the work that has been done on exploring shared legal services with Lambeth, approves the proposals detailed in this report to establish a pilot joint litigation team with Lambeth, a joint regulatory and prosecutions team and a pilot joint property team in Southwark. The Cabinet also to note that the pilot to share a business manager with Lambeth will become a permanent arrangement under the new legal services structure and that Cabinet instructs officers to continue to explore opportunities to develop shared legal services with Lambeth.
43. The Finance Director notes the resource implications contained within the report and the dependency of the indicative income forecasts on the success of the pilots, (this income is additional to savings already factored into future budgets). Officer time to effect the recommendations will be contained within existing budgeted revenue resources

### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
None		

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Peter John, Leader of the Council	
<b>Lead Officer</b>	Doreen Forrester-Brown, Head of Legal Services	
<b>Report Author</b>	Doreen Forrester-Brown, Head of Legal Services	
<b>Version</b>	Final	
<b>Dated</b>	17 January 2012	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		27 January 2012



<b>Item No.</b> 13.	<b>Classification:</b> Open	<b>Date:</b> 7 February 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Livesey Museum Update and Options	
<b>Ward(s) or groups affected:</b>		Livesey Ward	
<b>Cabinet Member:</b>		Councillor Veronica Ward, Culture, Leisure, Sport and the Olympics	

### **FOREWORD - CABINET MEMBER FOR CULTURE, LEISURE, SPORT AND THE OLYMPICS**

The Livesey Childrens Museum, closed in February 2008, was a popular resource for children and young people for the community in Peckham and beyond.

In 2010, the theatre organisation, which won a previous bidding round to seek organisations who can meet the terms of the charitable trust, was unable to raise the sum required to create the resource that they had planned and announced that they could not use the building after all. The council however wants to see this building continue to be used as an educational and community resource and agreed in 2011 to seek a further alternative user who is able to meet the terms of the Trust. The following report sets out the results of this exercise.

### **RECOMMENDATIONS**

1. That officers be instructed to progress negotiations with an end user for the Livesey building within the Objects of the Trust, as identified by the call for expressions of interest and subsequent assessment in October 2011, with the requirements that:
  - The end user's proposal must meet the original objectives of the trust, i.e. a free public library, or any other objectives of an educational or cultural nature, in keeping with the proposed amended charitable objectives.
  - The end user's proposals must be financially viable with secure and robust revenue arrangements as well as funding for any associated capital works that schemes may require.
  - The end user's proposal is subject to second round of financial assessment and organisation checks in January 2012.
2. That, subject to a satisfactory outcome of detailed checks in January 2012, officers report back to Cabinet on the outcomes of the negotiations with the preferred user and Charity Commission in April 2012.

### **BACKGROUND INFORMATION**

3. The London Borough of Southwark is the trustee of the building on the Old Kent Road now known as the Livesey Museum for Children. The museum was bequeathed by George Livesey, a local benefactor, to the Commissioners for

Public Libraries and Museums for the Parish of Camberwell in 1890 as a free public library for the beneficiaries of the trust. The conveyance states that *“the said commissioners shall hold the said hereditaments and premises upon trust to permit the same to be used for the purposes of a Public Free Library for the benefit of and by the ratepayers, inhabitants and residents of the Parish of Camberwell”*. Southwark became the legal owner and trustee of the building by means of statutory devolution. The trust did not provide any revenue support for the running of the library. The beneficiaries are within the original geographical boundary of the Parish of Camberwell which includes the area known both now and at the time as Peckham, and is considerably larger than the area now known as Camberwell.

4. The Charity Commission has indicated that it is acceptable to extend the Objects of the Trust to include a broader educational benefit.
5. During budget setting in February 2008, the Council took the decision to close the Livesey Museum for children alongside a series of other service reductions.
6. The Council, as trustee of the building is obliged to find an appropriate use for the assets of the trust, which are the land and the buildings of the “Livesey” site at 682 Old Kent Road.
7. The Council relocated its library provision to a nearby site in 1966 and the building closed to the public. The use of the building then changed from a public library to a Museum for Children when it reopened in 1974. At this stage, the Council became in breach of the trust conditions.
8. Following closure of the Livesey, the Council undertook a consultation process, with a view to approaching the Charity Commission with a cy-pres scheme seeking to alter the objectives of the trust, which would allow the building to be used for educational or cultural use. It is known as a “cy-pres” scheme as the Charity Commission expected the Council to produce a scheme which would be as near as possible to the original objectives of the trust.
9. As part of this process, the Council undertook an exercise to identify potential users of the building following a consultation plan approved through the IDM process in September 2008. The consultation process resulted in the Cabinet agreeing to progress the proposals of Theatre Peckham. The proposals included the creation of dance studios, a conservatory on the garden area with cafe facility and safe play area for children and parents, changing and toilet facilities, meeting room, storage space and potentially a lift to the first floor. The financial plan provided included realistic levels of income through secured grants and achievable additional income through hires of refurbished space at the Livesey.
10. After taking advice from their appointed consultants, Theatre Peckham advised officers in May 2010 that they felt it unlikely that they would be able to raise this sum. Theatre Peckham identified two main reasons for this:
  - The retention of ownership of the building by the Trust has a negative impact on some potential funders since Theatre Peckham would never own the building
  - Difficulties in securing major investment during the recession.

11. This was a disappointing outcome for both the Council and Theatre Peckham. Subsequent to the withdrawal of the Theatre Peckham proposal, officers held discussions with a range of potential building users. These included:
  - The Museum of Childhood at Bethnal Green
  - London College of Communications
  - Morley College
  - Community activists
12. Discussions were held with each of these organisations, and most viewed the building. The Museum of Childhood confirmed that the Livesey would not fit their current strategy. The London College of Communications expressed an interest in temporary use of the building for student shows only. Morley College viewed the building and confirmed that it was not suitable for their intended purposes. At this stage, no formal proposals were submitted by any of the organisations.
13. The building was briefly illegally occupied, but Council possession was secured through action in the County Court and the building is now secured through participation in the Guardian scheme.
14. Officers were then instructed to open a formal call for expressions of interest for a long-term user for the building in June 2011. In July 2011, a formal brief was issued for a user for the Livesey Museum with a call for expressions of interest to be submitted by 30<sup>th</sup> September 2011. The call for expressions of interest was sent out to cultural and community networks locally, regionally, nationally. All organisations who had previously expressed an interest in using the building, or who had viewed it, were circulated with the brief and the details of how to submit a proposal. The key criteria were as for the previous calls, with key criteria of:
  - A use that is in keeping with the charitable objectives and that actively benefits communities in Peckham and Camberwell (original parish of Camberwell) and contributes the social and cultural development of the local area.
  - Financially sustainable proposals with revenue and capital funding identified.
15. Subsequent to the call-out being issued through key networks, 45 requests were received for the expressions of interest pack, which contained the brief, guidance on submission of proposals, plans of the building, and the condition survey. Interested parties had the opportunity to view the building prior to submission of proposals. Three eligible proposals were received.
16. Three submissions were assessed:
  - Treasure House (London) CIC
  - Igmusic Ltd
  - People Empowering People Ltd

Of these, two proposals are considered to be viable, subject to further investigation of financial plans; the agreement of the Charity Commission and Property Services regarding disposal of property in respect of leases over seven years, and in respect of the amendments to the Objects of the Trust.

## KEY ISSUES FOR CONSIDERATION

17. The assessment of the proposals is set out below. The shortlisting evaluation was based on a 50% weighting for the financial offer, and 50% for the quality of the proposal. Each criteria was assessed on a scale of 3 = strong; 2 = acceptable; 1 = risks perceived; 0 = unacceptable. Organisations were asked to set out their offer for the Livesey building, identifying why they wanted to be based there, how they would operate and maintain the building, their proposal over 10 years, and how their activities would benefit communities in Camberwell and Peckham. The financial offer required organisations to demonstrate their track record in delivering projects to budget; financial standing and sources of funding; plans for achieving capital funding if required; a 10 year business plan, the financial strength of the organisation, and provision of an experienced staff team.
18. A summary of the assessment of each proposal is set out below:

### **Treasure House (London) CIC**

Treasure House (London) is a Community Interest Company established in December 2010, but which has been operating successfully since 2009 in providing spaces and resources for young people who have fallen behind in mainstream education. It is currently based in the Lilian Baylis Community Hub in SE11 on the Southwark – Lambeth border, but seeking a permanent base with D1 use.

It aims to set up a Friends of Treasure House charity, led by Michael Hodge MBE to fundraise for its expansion.

The Treasure House programme covers the core curriculum (Key stages 3 – 5), with an extra emphasis on art and creativity, in a safe, calm and therapeutic environment. It is currently commissioned through schools on a placement basis to provide services for excluded young people, and works with Local Authorities to identify young people who require these services. It works with Walworth Academy, St Saviour's and St Olave's, the new Ark Academy, Camberwell and Evelina Hospital School, amongst others. The organisation has strong partnerships with education networks, including Special Educational Needs (SEN), Education other than School (EOTAS), and Looked After Children (LAC). It is quality assured by Children's Services. It also proposes to support a network of Home Educators, and develop a community resource bank. The Treasure House team is professionally qualified, and demonstrates strong partnerships and community links, as well as proposals for the full use of the Livesey building space.

### **Assessment**

The Treasure House proposal scored 56% overall, with 57% for its financial offer, and 55% for the quality of its proposals. Strengths of the Treasure House EOI were assessed to be: they have already worked in the area; they are educationally focussed and meet the Objects of the Charity; they addressed the building operation and future possible uses; good existing partnerships. Financially, a business plan was presented clearly breaking down identified funding streams. Weakness of the Treasure House proposal were assessed to be: as an educational organisation, the benefits for the wider community may be limited; there were risks associated with the 10 year proposal which need to

investigated further; there is no demonstration of capital funding in place immediately, and the financial operation is entirely reliant on grant funding.

### **Igmusic Ltd**

Igmusic is a private limited company registered in 2007, but in operation since 2001 providing educational services for young people and adults through schools and community education in music activities. Its key areas of expertise are vocal and music tutoring, songwriting, training for teacher INSET, audio production and event management. The igospel team has worked in Southwark for the last 10 years through the Peckham Education Action Zone and then Excellence in Southwark to deliver a 'sing inspiration' project for 4000 children and students since 2007. Igospel also have a decade of experience in establishing and leading choirs for adults and running workshops for adults. They have established education and community partnerships, and in April 2011 were assessed as 'outstanding' by OFSTED for their work leading singing in schools and across community groups in London. Their cultural partnerships include Southbank Centre and Southwark Music Service, Sing Up London, Hackney, Enfield, Wandsworth and Newham Music Services.

The proposal for the Livesey building is to develop a multi-purpose music venue with a small performance space, and to expand their existing vocal and music programme for schools and community groups. The short term offer, which could be run immediately from the building without any structural changes to the space, includes teacher training programmes; vocal training; musicianship training, music technology workshops (phases 1 and 2). The medium term includes a small live music venue, young artists' programme, and hiring facilities. The long-term proposal is for a media centre with music as the hub; which would include a music centre, performances, live streaming, video and recording facilities, and the development of a café and the courtyard garden.

### **Assessment**

The Igmusic Ltd proposal scored 55% overall, with 51% for its financial offer and 59% for the quality of its proposal. The strengths of the proposal were assessed to be the mixture of educational and cultural services, strong partnership links, a focused use for the Livesey building as a hub for community music, and proven track record in music services. The weaknesses of the proposal were assessed to be: insufficient information supplied about the operation and the maintenance of the Livesey building, no identification of capital funds, and risks in sustaining revenue funding.

### **People Empowering People**

People Empowering People Ltd was set up in September 2010. People Empowering People (PEP) is proposing to create a community hub based in the Livesey building and focused on the nearby Friary and Unwin estates, with activities that address issues faced by BME communities. It is proposing to set up a range of activities which include: reading and study for young people studying for GCSE's; numeracy and literacy classes; a media and internet training hub for young people; creativity and business activities; tackling unemployment; youth work; mother and child programmes; teenage pregnancy programmes; room hire; luncheon clubs, and various health and community safety partnership programmes. The proposal is based on the demographics of the local area.

PEP's stated partner organisations are: Peckham Voluntary Sector Forum; Community Action Southwark; Thames Outreach partnership; Southwark Works; Peckham Theatre; Youth provider Network; Safer Southwark partnership, Schools and youth strategy team and Transition Town Peckham. PEP's track record includes projects in the local community including: 'how to succeed in the music business'; tackling anti-social behaviour on the Unwin and Friary estates; JSI Senior Citizens' event; youth events on the estates; youth and family trips; estate lighting upgrades; and recycling projects. The proposal has a strong youth focus and is very local. PEP has proposed a broad steering group for the running of the centre. A generic, as opposed to specific, business plan for the operation of the Livesey building, was submitted.

### **Assessment**

The PEP proposal scored 28% overall with 21% for financial proposals and 34% for the quality of its proposal. The strengths of the proposal were assessed as: strong local focus and connection with the area. The weaknesses of the proposal were assessed as: lack of clarity in the business plan; reliance on other partners; unclear about the building management and operation; the proposal does not meet the Objects of the Trust regarding the Library or other cultural or educational use.

19. The overall assessment of the proposals submitted as part of the Expression of Interest in September 2011 indicates that Treasure House (London) CIC and Igmusic Ltd both have proposals that would fulfil the Objects of the Trust. The Igmusic Ltd proposal was assessed as the strongest in terms of the educational and cultural offer (59%), but risks were perceived in terms of business planning and the ability to raise and sustain revenue income, and in terms of securing capital funding for building alterations in the longer-term. Treasure House (London) CIC was assessed as weaker than Igmusic in its proposal (54%) for the building. However, its presentation of its financial offer and funding options was assessed as stronger than Igmusic. It is judged that there is a level of financial risk with both proposals, and that both organisations will be subject to the pressures of the recession on their ability to secure grant-aid, commissions and any earned income.

### **Resource implications**

20. The agreed budget for the division has no capital or revenue provision for the Livesey Museum. Currently the Environment and Leisure Department is incurring annual running cost of about £8k on the building. No capital implications are foreseen, as it is envisaged that the occupier would be required to enter into a full repairing lease.
21. As stated in paragraph 2, the intention is to report back to cabinet in April 2012 after negotiations with the preferred user and the Charity Commission. At that stage a full financial risk assessment will be carried out and financial implications (if any) for the council will be reported.

### **Community impact statement**

22. The purpose of the trust is to ensure benefit for people who live within the boundaries of the former Parish of Camberwell. The original focus of this was the provision of a public library and discussions with the Charity Commission have focussed on redefining the objects of the trust to sustain an educational/ cultural benefit. The search for an alternative building user has ensured that services

delivered by any preferred user would fulfil the Objects of the trust.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law & Governance**

23. As Trustee, the council is under a duty to carry out the objects of the Trust in accordance with the Trust Deed and to act with the utmost good faith in all its dealings in the affairs of the Trust. This means the council is required to avoid undertaking activities that would place the assets and funds of the Trust at undue risk.
24. The council holds the building on a charitable Trust for use as a free public library but has been in breach of trust since the 1960s when the building ceased to be used as a Library. At that time the council became subject to an obligation to apply for a cy-pres scheme to alter the objects of the Trust and this can only be done by means of an application to the High Court or the Charity Commission.
25. An application to the Charity Commission for the purpose of remedying the breach of Trust was drafted and initial negotiations took place with the Charity Commission as to the terms of the cy-pres scheme during 2009 and early 2010. The negotiations with the Charity Commission were not progressed forward whilst the viability of the proposal from Theatre Peckham was investigated. As the proposal from Theatre Peckham did not ultimately proceed the cy-pres scheme to alter the objects of the Trust has not as yet been registered. The Charity Commission has indicated that they do not propose to take any action until the council come back to them with its proposals for a scheme. Negotiations with the Charity Commission as to the terms of the cy-pres scheme therefore need to be re-started.
26. With regard to the possible transfer of the building for use within the objects of the Trust, Cabinet is informed that land held by a charity or in Trust for a charity cannot be conveyed, transferred, leased or otherwise disposed of without the order of the Court or the Charity Commission unless the disposition is exempted under the Act. In this case because of the need for a cy-pres scheme, the consent of the Charity Commission would be required before the transfer can take place.
27. With respect to the proposal that the building be re-opened, Cabinet is informed that the council would remain the Trustee of the Trust. However, as the use of the building for objectives of an educational or cultural nature is contrary to the objects of the Trust, a cy-pres scheme to allow the use of the building for these objectives would have to be approved by the Charity Commission.
28. The Charity Commission's published guidance suggests that local authorities acting as sole trustees should be asked to consider stepping aside to allow a representative and non-conflicted board of trustees to take their place. However, in a recent case, the Charity Commission found that it was appropriate for Dartford Borough Council to remain as trustee of the continuing property of a trust, since it was effectively marooned within other council property.
29. However, the court found that inadequate governance mechanisms were in place to deal with the Council's potential for conflicts of interest. It ordered that the committee responsible for managing the property should include a quorum of

non-conflicted members who are not otherwise connected to the Council. Should we re-open the building or continue the Trust it is likely that we will have to address this issue and form a management committee.

30. Which ever scheme Cabinet decides upon, the Charity Commission would need to be satisfied that it in the best interest of the charity and is as close to the original objects as possible. The Charity Commission would also wish to be satisfied that the new use of the building is suitable and effective in the light of the current social and economic circumstances.

#### **Finance Director (NR/F&R/15/12/11)**

31. This report recommends that officers be instructed to progress negotiations with a preferred user for the Livesey building within the Objects of the Trust, as identified by the call for expressions of interest and subsequent assessment in October 2011, with various additional requirements.
32. The Finance Director notes the resource implication and future report due on the financial implications outlined in paragraphs 21 and 22. Budgetary pressures arising as a result of not appointing a shortlisted proposer to be contained by reallocating budgets within the Environment and Leisure Department. Officer time to effect the recommendations will be contained within existing budgeted revenue resources.

#### **Head of Property**

33. The Livesey Building is currently occupied by 'live in' guardians who provide security through occupation. Whilst the cost of this service is minimal the cost of maintaining services and utilities to the building is significant.
34. Since the closure of the Livesey museum in 2008, this grade II listed building has incurred little expenditure with regard to ongoing repairs and maintenance. It is likely that upon any proposed reopening, significant capital expenditure will need to be committed to make the building secure and compliant. Notwithstanding any adaptations that may also be necessary at that time. A condition report commissioned by the Council in 2008 identified over £250,000 of works necessary to maintain the building in its current format and arrangement. It is imperative that any preferred user for the Livesey building fully appreciates the existing and ongoing liabilities associated with this grade II listed building. The preferred user will be required to enter into a full repairing and insuring lease.

#### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Executive report – 2008	160 Tooley Street, London SE1 2QH	Adrian Whittle Tel 020 7525 1577
Cabinet report 21 – June 2011	160 Tooley Street, London SE1 2QH	Adrian Whittle Tel 020 7525 1577
Livesey building expressions of interest application pack – July 2011	160 Tooley Street, London SE1 2QH	Anya Whitehead Tel 020 7525 3552
Livesey Building EOI proposals and assessment – October 2011	160 Tooley Street, London SE1 2QH	Anya Whitehead Tel 020 7525 3552



## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Veronica Ward, Culture, Leisure, Sport and the Olympics	
<b>Lead Officer</b>	Gill Davies, Strategic Director of Environment and Leisure	
<b>Report Author</b>	Anya Whitehead, Culture Manager; Arts & Heritage	
<b>Version</b>	Final	
<b>Dated</b>	27 January 2012	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Head of Property	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	27 January 2012	

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 7 February 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Peckham and Nunhead Area Action Plan Preferred Option	
<b>Ward(s) or groups affected:</b>		Livesey, Peckham, The Lane, Nunhead, Peckham Rye	
<b>Cabinet Member:</b>		Councillor Fiona Colley, Regeneration and Corporate Strategy	

## **FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY**

This report recommends the next stage of consultation on the Peckham and Nunhead Area Action Plan, called the "preferred option". The preferred option sets out our vision for long lasting improvements to the area and includes detailed policies for SE15, including policies on shopping, employment, retail, transport, community facilities, open spaces, sustainability and design. We set out visions and policies for each of our five character areas within Peckham and Nunhead, as well as detailed guidance on key development sites.

We believe the area has the potential to provide more than 2,000 new homes over the next 15 years. Alongside this we think there is capacity for an increase of up to 15,000sqm of retail floorspace to include a range of different types of shops, and up to 8,000sqm of employment floorspace. Most of this change will take place in and around Peckham town centre where there are many development sites. The surrounding areas will see less development and more emphasis on improving and protecting the existing local character.

We have already carried out a lot of consultation and the area action plan has changed as a result of feedback received through consultation. At this stage we are asking residents, businesses, landowners, developers and community groups to comment on our preferred option to see whether they think it will develop the type of Peckham and Nunhead we all want and whether our vision and policies are deliverable.

With the right policies in place we will be able to build on the best of Peckham – its diversity, the growing arts and cultural buzz – and consign the ill deserved negative images to the past where they belong.

## **RECOMMENDATIONS**

That Cabinet:

1. Considers the Peckham and Nunhead Area Action Plan (AAP) Preferred Option (Appendix A).
2. Notes the consultation report (Appendix B), the consultation strategy (Appendix C) and the consultation plan (Appendix D).

3. Notes the interim Sustainability Appraisal (Appendix E), the Equalities Impact Assessment (Appendix F), the Appropriate Assessment (Appendix G) and the schedule of proposed changes to the proposals map (Appendix H).
4. Adopts for consultation the Peckham and Nunhead Area Action Plan (AAP) preferred option.

## **BACKGROUND INFORMATION**

5. We are preparing an area action plan (AAP) for Peckham and Nunhead. Once adopted, the AAP will form part of Southwark's development plan and will be used to make decisions on planning applications. Whilst the AAP must be in general conformity with the London Plan (2011) and the core strategy (2011), it can adapt some of these policies to reflect specific issues in Peckham and Nunhead. Alongside the core strategy, it may replace some of the saved Southwark Plan (2007) policies.
6. The AAP covers the two community council areas of Peckham, and Nunhead and Peckham Rye. Small parts of both community council areas are outside the AAP boundary.
7. The AAP sets out a detailed vision for Peckham and Nunhead which builds on the vision in the core strategy. It sets policies to make sure that over the next fifteen years we get the type of development to deliver the vision. It includes a section on delivery which sets out how the policies and necessary infrastructure will be implemented.
8. We are currently at the fifth stage of preparing the AAP:
  - The first stage was the sustainability appraisal scoping report (November 2006-February 2007).
  - The second stage was a *Future Peckham* vision paper, which set out the key issues that the AAP would consider (March-April 2008).
  - The third stage was the issues and options consultation, which was the first big stage of consultation (September to May 2009). This set out the key issues and challenges for Peckham and Nunhead and possible options to overcome these issues. These options were fairly broad, but established distinct and viable alternative approaches to regeneration and redevelopment.
  - The fourth stage introduced a further stage of consultation on options to ensure that we had fully consulted on all of the possible options before we selected the preferred options (May to September 2011). This was called the *towards a preferred option*.
9. This fifth stage of consultation sets out our preferred option for Peckham and Nunhead, setting out our strategy for each of the issues identified through the issues and options and towards a preferred option.
10. The final stage of consultation will propose the same document for both the publication and submission to the Secretary of State for examination in public in autumn 2012. This document will be published in September 2012 and representations as to its soundness will be invited. At the end of this period the same version of the document and representations received as to its soundness will be submitted to the Secretary of State for independent examination. The

submission will be subject to an examination in public held by a planning inspector appointed to act on behalf of the Secretary of State. The inspector will consider representations made by interested parties to test the soundness of the draft AAP. This will involve the inspector asking further questions about issues and examining relevant evidence. The inspector will then publish a report with binding recommendations. We will then choose to adopt the final AAP or to withdraw and go back to informal consultation.

## **KEY ISSUES FOR CONSIDERATION**

11. The key issues for consideration are set out below. The full preferred option paper is set out in Appendix A to this report.
12. The AAP provides overarching policies for the action area as a whole, as well as detailed policies which describes how this should be applied to individual character areas. The area has been divided into five character areas: Peckham core action area, East Peckham, North Peckham, South Peckham, and Nunhead, Peckham Rye and Honor Oak. Most of the change will take place in Peckham core action area, which is focused around Peckham town centre. The wider area will see smaller scale development, mostly infill development and improvements to the supporting infrastructure. The preferred option makes minor amendments to the boundary of the wider action area to include the whole of Peckham Rye Park and Common. It also amends Peckham core action area boundary to focus on the main area of change.
13. The AAP promotes the provision of new shopping space to help maintain and enhance Peckham town centre as a major town centre in Southwark's hierarchy and broaden its appeal to a wider catchment. The AAP states that we will work with landowners to improve and expand shopping floorspace by between 15,000 and 20,000sqm of new floorspace across the key sites of the Aylesham shopping centre, Copeland Road Industrial Park, Peckham Rye Station and the land between the railway arches.
14. New developments should provide a range of unit sizes, including larger units and we will use planning conditions to prevent sub-division to ensure that there is adequate space for multiple retailers.
15. The AAP promotes building on Peckham's reputation for creativity include providing space for creative industries under the railway arches and building new cultural facilities around Peckham Square, Peckham Rye Station and Copeland Road Industrial Park. It also continues to support the provision of a cinema in Peckham town centre as well as working with businesses to facilitate the provision for more cafes and restaurants, making Peckham a better place to go out in the evening. It sets out that a cinema should be retained on the existing site in Rye Lane unless an alternative facility is provided. It sets out that an alternative location could be at Eagle Wharf or Copeland Road Industrial Park.
16. The AAP maintains the status of key shopping parades as 'protected shopping frontages', in accordance with the saved Southwark Plan and Core Strategy policies. It also supports the provision of small scale shops within the wider AAP area, particularly along Commercial Way and on the former Wooddene Estate.
17. The AAP has a policy to ensure that the proportion of units which are hot food takeaways (A5 Use Class) does not rise above 5% in Peckham town centre and Nunhead local centre. It also does not allow takeaways within 400 metres (10

minutes walking distance) of secondary schools. This will ensure that these centres continue to be viable and vital and that there is a balance of uses within these centres, as well as improving the health of residents within Peckham and Nunhead.

18. The AAP supports the introduction of up to 8,000sqm of new business space in Peckham town centre, specifically on the Copeland Road Industrial Park, Peckham Rye Station, cinema/multi-storey car park and the land between the railway arches. The AAP also requires existing business floor space within the town and local centres to be retained unless replaced by an alternative town centre use. This also applies to the Print Village on Chadwick Road.
19. Our strategy for community facilities is to locate local facilities together so that the services required by the community, including services for young people, health centres and community space, are provided in accessible locations. The AAP also requires new development to contribute towards the provision of new or enhanced facilities through a section 106 planning obligation or community infrastructure levy.
20. The AAP says where the council will deliver improvements to schools, addressing the need for more school places.
21. The AAP sets out that the council will work with NHS Southwark to improve the health of residents in Peckham and Nunhead, with the preferred centre for future investment as the Lister Health Centre on Peckham Road.
22. The AAP encourages active travel, including walking, jogging, cycling, skating or scootering. It prioritises improvements to links between key destinations such as the town centre, stations and schools, as well as working with partners to deliver the cycle superhighway along Queens Road and lobbying TfL for the extension of the Mayor's cycle hire scheme.
23. The AAP sets out that the council will continue to work with partners to improve public transport. Specifically it sets the key priorities to include the extension to the Bakerloo line and the cross river tram or an alternative high quality public transport service. The AAP sets out that the 'Flaxyard' site will be either safeguarded for a tram or alternative terminus, or developed for mixed use development.
24. The AAP sets out where there are committed improvements to the road network.
25. Our strategy for parking for shoppers and visitors in Peckham is to create a balance between providing enough parking to support town centre uses whilst encouraging people to use public transport and active modes of travel. The AAP says which car parks will be maintained and which car parks will be developed for alternative uses over the next 15 years. Of the council owned car parks, it sets out that Copeland Road car park and the multi storey car park on Cerise Road can both be developed for mixed use, allocating both these sites as proposals sites. The AAP sets out that Choumert Grove car park will be maintained as a car park and removes the suggested proposal site designation (from *Towards a preferred option*) of allowing this site to be developed.
26. For residential car parking, the AAP encourages car free development in the core action area, with a maximum of 0.3 spaces per residential unit and, within the

wider area, maximum car parking standards of 1 space per unit in the urban zone and 1.5-2 spaces per unit within the suburban zone.

27. The AAP indicates there is capacity to provide around 2,000 new homes. At least 1,500 of these will be within the core action area and the majority of these will be on proposals sites. There will be a minimum of 700 affordable homes and 700 private homes, implemented through policies requiring a minimum of 35% of new development to be private housing and a minimum to be affordable housing. This is in accordance with the core strategy.
28. The AAP amends saved Southwark Plan policy 4.4 to require 50% of the affordable homes to be intermediate homes and 50% to be social rented homes. It also requires a minimum of 20% of homes to be family homes within the core action area and the urban zone and a minimum of 30% within the suburban zone. It sets the minimum floor areas which should be met.
29. The AAP follows the core strategy and saved Southwark Plan policies and protects important open spaces from inappropriate development. It also seeks to protect new open spaces and two new sites of importance for nature conservation at Surrey Canal Walk and Warwick Gardens.
30. Our strategy to meet high environmental standards is to reduce the energy use of new developments and support the provision of an efficient energy network for Peckham and Nunhead. The AAP also requires new development to meet the Core Strategy policies on water, energy and flooding.
31. It is important to maintain and improve the provision of street trees and the AAP has policies expecting development to retain and enhance trees wherever possible.
32. The AAP sets out key principles to ensure the high quality design of public squares, streets and spaces, and sets out detailed public realm guidance for each of the five character areas. It also has policies to ensure the high quality design of buildings for the whole area and each character area.
33. Most buildings in the action area are between two and four storeys. The AAP policy is to retain the current character with most new development having heights similar to existing. Within some sites in the core action area, taller buildings of between six and ten storeys may be appropriate. These sites are identified as: Aylesham centre, former Wooddene Estate, Copeland Road car park, Copeland Road Industrial Park and the cinema/multi-storey car park.
34. The AAP will allocate proposals sites on the proposals map, setting out the type and amount of development suitable on each of these sites. Most of the proposals sites are within the core action area.
35. The council cannot deliver the vision for Peckham and Nunhead alone, and the AAP contains detail on how the policies and objectives will be delivered. This includes progressing committed developments, developing the council's own sites, and working with other stakeholders such as Transport for London, NHS Southwark, community groups, developers and Network Rail.
36. At the next stage of consultation more detail will be set out on how the supporting infrastructure will be funded and the timescales for delivery.

## CONSULTATION

37. The Planning and Compulsory Purchase Act 2004 (amended 2008) and the council's statement of community involvement (2008) set out the consultation requirements for area action plans.
38. The consultation strategy (Appendix C) sets out how we will consult on the AAP throughout the entire AAP preparation process and the key groups we seek to involve. The consultation plan (Appendix D) sets out the consultation for the preferred option. The AAP will be available for public inspection from 31 January to 24 April 2012.
39. It is important to recognise that a considerable amount of consultation has taken place over the last few years on the Peckham and Nunhead AAP. The council aims to build on this process and demonstrate that previous comments have been taken into account to try and avoid consultation fatigue. Comments received at each stage of consultation have been considered as part of the preparation of the next stage of the AAP. The consultation report (Appendix B) sets out how we have taken all these comments into consideration.
40. The most recent stage of consultation – *towards a preferred option* – took place from 9 May to 30 September 2011. We received comments from 122 groups and individuals. This amounted to 476 individual representations and 22 questionnaire responses. There was also a petition signed by 261 residents objecting to Choumert Grove car park being identified as a development site.
41. The key points raised are set out below. Many of these comments are addressed in the "key issues for consideration" section above. Where there are further specific changes resulting from these comments these are set out below.
42. The consultation report (Appendix B) includes a more detailed summary of all the representations received at each stage of consultation as well as appendices which includes the full representations and our officer comments on how we have taken these comments into account in preparing the preferred option. The largest numbers of representations received were about Choumert Grove car park and restricting the number of takeaways.

### Planning committee

43. The *towards a preferred option* document was taken to planning committee for comment on 7 June 2011.
  - Transport links to Dulwich, as well as links to the north of the borough should be addressed. The maps and the AAP have been updated to refer to transport links more widely including links to Dulwich.
  - The PNAAP should address the design of future developments to ensure that they are of high quality.
  - The PNAAP should ensure that opportunities to improve Rye Lane as a key shopping link between Peckham and Nunhead are not missed.
  - The PNAAP should ensure that the need for new primary school places is addressed adequately.
  - Questions should be asked as to whether the PNAAP should continue to safeguard land for the cross river tram.

- The preferred option document is welcomed so that the area can get much needed care and attention and as it out for public consultation until 30 September, members of the public should be encouraged to make comments during this period.

### **Retail, cultural and employment use**

44. There was overall support for focusing new retail use on Copeland Road Industrial Park and the land between the railway arches.
45. There was overall support for increased cultural use in the town centre, both in the Copeland Road Industrial Park and the land between the railway arches, and around Peckham Square.
46. There was strong support for a cinema to remain in Peckham.
47. There were a lot of representations supporting the restriction of takeaways and comments on the number of takeaways currently along Rye Lane. There were also many comments supporting the restriction of takeaways near to schools.
48. The representatives of the Aylesham Centre suggested that the more expansive option of developing more retail in the town centre at Copeland Road Industrial Park should only be pursued once the first option (focusing on the Aylesham Centre and the north of Rye Lane) is delivered with existing retail floor space being improved and occupied. The current supermarket in the Aylesham Centre also raised concern that Copeland Road Industrial Park could be the location for a new food store. We will continue to meet these key landowners at every stage of consultation to ensure the capacities are viable and deliverable.
49. There was support for improvements to the Asda (previously Netto) site along Rye Lane to improve the existing retail parade. The preferred option designates this as a proposals site.
50. There was general support to concentrate additional employment floor space around Peckham Rye Station and Copeland Road Industrial Park, including support for around 8,000 sqm of new business space.

### **Transport**

51. Reducing the reliance on cars and promoting walking and cycling was broadly supported by residents and statutory consultees.
52. Several residents stated that bicycle storage needs to be promoted if the level of cycling is to increase. The preferred option refers to the Southwark Plan bicycle parking standards. It also includes a table on minimum dwelling standards to ensure there is adequate space inside dwellings for storage.
53. NHS Southwark offered their support to the extension of the Mayor's cycle hire scheme to Peckham and Nunhead. However TfL stated that they currently have no plans to extend the scheme to Nunhead.
54. NHS Southwark supported the safeguarding of the 'Flaxyard' site for a tram terminus, whilst TfL would prefer the policy to refer to a broader range of public transport interventions. There were also representations to allow a more proactive use of the land in the meantime such as for food growing.



55. Several local residents requested reference in the policy to specific interventions that might improve pedestrian and vehicle flow, for example, around Bellenden Road and Choumert Grove.
56. There were many representations on the use of car parks. In particular, a petition was submitted objecting to development on the Choumert Grove car park. The petition stated that a 4 storey development (as suggested in *Towards a Preferred Option*) would be inappropriate and that the site should be used as park/open space for the community. At the Nunhead and Peckham Rye community council on 19 September 2011, many traders objected to developing on the town centre car parks and that Choumert Grove car park should remain as a car park and not be a development site. Other objectors such as Living Streets objected to all options encouraging car use.
57. There was support for either car-free development or up to 0.3 spaces per residential unit for residential car parking in the core action area.

### **Housing**

58. English Heritage requested clarity on the impact of the proposed capacity increase on the historic environment as they were concerned about the increased density on heritage. The preferred option takes forwards the same approach to density as the adopted core strategy. It sets out where we expect most new homes to be delivered, the majority of which will be within the core action area.
59. There were some concerns that the increased amount of new homes especially in the town centre may lead to overcrowding. There was also concern expressed about new homes putting pressure on schools and community facilities.
60. There were some representations asking how the new product “affordable rent” is being dealt with. The preferred option includes affordable rent within the fact box on affordable housing and refers to the forthcoming consultation on the Affordable Housing supplementary planning document, which will look in more detail at affordable rent.
61. There were mixed views on whether there should be more student homes. The preferred option follows the core strategy approach to student housing.

### **Open spaces and sites of importance for nature conservation (SINCS)**

62. NHS Southwark would like to see more consideration of open space that is part of social housing and private housing estates. The preferred option requires new housing developments to provide amenity space as part of the development.
63. There was support for protecting more open spaces.
64. There was a representation to suggest that amendments need to be made to boundary of Peckham Rye Common, needing to make a clearer distinction between Peckham Rye and Peckham Rye Park. This has been corrected in the preferred option.

## Design

- 65. English Heritage identified the need for a robust evidence base to identify the location of tall buildings. We also need to ensure the AAP reflects PPS5. We have prepared a tall buildings and design background paper alongside the preparation of the preferred option.
- 66. Several representations commented that they support taller landmark buildings.
- 67. There were suggestions to include a policy on public realm improvements.

## Peckham town centre

- 68. There were comments on the need to improve the existing environment, including shop fronts. The preferred option includes detailed design and public realm policies specific to the core action area (which includes the town centre) to help improve the appearance of the town centre.
- 69. There was overall support for improving the town centre and respondents agreed with the strengths of the town centre identified in *towards a preferred option*. There was also support for a strategy to increase non-food retail, attract more large retailers and increase the number of people living in the town centre. The preferred option includes more detailed policies on key sites within the town centre which have the potential to provide units for non-food retailer and attract more larger retailers.

## Nunhead local centre

- 70. English Heritage commented that the strategy for Nunhead local centre should be aligned closely with Nunhead Green Conservation area and the need to preserve and enhance the character. The preferred option provides detailed policies on heritage for the Nunhead character area.
- 71. There were comments on the lack of variety of shops in Nunhead town centre and that the new shop fronts are all the same and should be more independent. The preferred option includes policies on public realm for this character area, land use (including retail) and design.
- 72. There were comments on the loss of shops due to them being converted into homes and that Nunhead has the potential to encourage small business and create a vibrant town centre. Nunhead local centre, including the shops along Evelina Road are already protected shopping frontages, protected through the core strategy and the saved Southwark Plan.
- 73. Concern around the loss of open space at the Nunhead Early Years site. The preferred option sets out detailed guidance on the development of this site. The greenness of this site is not protected open space, and the site is identified as a development site.
- 74. There was also concern expressed at knocking down the previous Nunhead community centre. The preferred option sets out why this is the best option for the site.

### **Community impact statement**

75. The purpose of the AAP is to facilitate regeneration and deliver the vision of the sustainable community strategy, Southwark 2016, ensuring that community impacts are taken into account. We have prepared an equalities impact assessment (EQIA) and an interim sustainability appraisal to make sure that the AAP is having a positive impact on different groups and that the AAP is delivering the most sustainable option for Peckham and Nunhead.
76. Both the EQIA and the sustainability appraisal will be taken forward and revised at the next stage of consultation on the publication/submission AAP.

### **Equalities impact assessment**

77. An equalities impact assessment (EqIA) stage 2 report (Appendix F) has been carried out alongside the preparation of the preferred option to assess the impact the AAP will have on groups with protected characteristics. EqIA scoping reports were also carried out at the issues and options and towards a preferred option stage of consultation.
78. The EqIA highlights a number of key issues that need to be addressed in preparing the AAP. The first of these is the need to ensure that the methods used to consult and engage people in the preparation of the AAP are open and accessible to all members of the community. To help address this issue we have prepared a consultation strategy which sets out the principles of how we will consult and the importance of reducing barriers to consultation. These emphasise that particular needs such as access, transport, childcare and translation need to be considered, as well as a strategy to broaden the appeal of consultation and make it attractive to a diverse range of people and groups. At each stage, participation will be monitored and analysed to see whether any particular groups have not been engaged and whether this can be addressed at the next stage.
79. Other issues which the EqIA highlights include access to housing for all groups. There are particular groups, such as BME communities, who are impacted by the size of housing and have a need for family sized units. It will also be important to ensure that homes are adaptable and meet lifetime homes needs, and that homes which can be easily adapted to wheelchair use are provided. The latter are important considerations for the elderly and people with disabilities. It will also be important that the plans help reduce barriers to work which are experienced by those with low skills, single parent families, and people with disabilities in particular. This will have implications for a number of the council's equalities target groups, including the young and older people, people with disabilities and people in BME communities whose first language is not English.
80. Other important issues include access to facilities, to shops, jobs, schools etc. It will be important to ensure that provision is located in areas which are accessible. This can be particularly important for groups who are less likely to have access to cars, including the young and elderly. While it will be important to improve access to public transport and reduce parking requirements, it should be borne in mind that some groups rely on cars, particularly families and the elderly.
81. The action area is expected to undergo significant change through the development and implementation of the Peckham and Nunhead AAP. This will see increased investment and development activity, which provides significant

opportunities to improve the built environment in the area. Improvements to the public realm and the environmental quality of the area will need to be of high quality to ensure that certain groups do not feel threatened walking through the area such as members of certain faith groups, members of the BME community, young people, older people and women. Within the wider AAP area, the protection of areas for heritage and conservation purposes may limit development which may limit the opportunities for creating new jobs and housing for those that are seeking employment or better quality housing.

### **Sustainability appraisal**

82. An interim sustainability appraisal has been prepared to help identify the environmental, social and economic issues that the AAP needs to address. The preparation of a scoping report was the first stage of the sustainability appraisal to assist in the preparation of the AAP and its sustainability appraisal. The scoping report set out the sustainability objectives and indicators that will be used to measure the impacts of the policy upon sustainable development. Baseline information was gathered to draw attention to key environmental, social and economic issues facing the borough, which may be affected by development in Peckham and Nunhead.
83. An interim sustainability appraisal was carried out for the issues and options and towards a preferred option reports. We have updated our sustainability appraisal for this stage of consultation to assess the impact of the preferred option.
84. The current stage of the process involved appraising the preferred option for Peckham and Nunhead against the sustainability objectives. The results of the appraisal showed that the overall impact of the preferred option policies was positive. The key findings of the sustainability appraisal are that the overall impact was positive especially for policies relating to town centre growth and protection of open spaces. Whilst there were uncertain impacts identified, overall, the appraisal indicated that the policies are likely to have a positive contribution to directing development in Peckham and Nunhead, the AAP policies in particular will help to achieve sustainable development objectives:
  - SDO1 To tackle poverty and wealth creation
  - SDO3 To improve the health of the population
  - SDO4 To reduce the incidence of crime and the fear of crime
  - SDO5 To promote social inclusion, equality, diversity and community cohesion
  - SDO15 To provide everyone with the opportunity to live in a decent home
85. Some negative impacts were identified, however these were in relation to the environmental impacts of development. Mitigation measures have been identified which will need to be put in place to minimise impacts. Many of these mitigation measures are policy requirements in either the core strategy or supplementary planning documents (SPDs) such as the sustainable transport SPD, residential design standards SPD, sustainable design and construction SPD and sustainability assessment SPD. For example: Strategic Policy 13 in the core strategy, which sets out the council's targets for development to minimise their impacts upon climate change. Possible negative impacts will need to be reviewed and appropriate mitigation measures will need to be identified if these options are carried forward to the submission version AAP.

### **Resource implications**

86. There are no immediate resource implications arising from this report as any additional work required to complete the work towards a preferred option will be carried out by the relevant policy team staff and budgets without a call on additional funding.
87. However, future development schemes emerging from the final approved Area Action Plan will be subject to separate reports which will provide detailed and robust analysis of the financial implications of the individual schemes.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

#### **Strategic Director of Communities, Law & Governance (NS20110111)**

88. The PNAAP preferred option together with the accompanying documents and comments of the planning committee are presented to cabinet for consideration and approval of the PNAAP preferred options for consultation.
89. Under Part 3C, paragraph 20 of the constitution the adoption of the preferred options of DPDs to the cabinet. The approval of a development framework document for consultation is delegated to the individual cabinet member (IDM) for regeneration and corporate strategy under Part 3D, paragraph 17 of the constitution. However, the IDM has the option of taking the decision herself or referring it to cabinet for decision. The cabinet member for regeneration & corporate strategy has exercised the option to refer the matter to Cabinet for a decision. The cabinet is accordingly requested to have regard to the contents of and the background documents appended to this report before approving the PNAAP preferred options report consultation in accordance with the SCI.
90. The PNAAP is a development plan document (Regulation 7 of the Town and Country Planning (Local Development) (England) Regulations 2004 ("the Regulations")) and will be subject to independent examination by an Inspector of the Secretary of State.

#### **The consultation plan / consultation report**

91. The production of the PNAAP is required to follow principles for community engagement in planning. Regulation 25 of the Town and Country Planning (Local Development) (England) Regulations 2004 ('the Regulations') deals with public participation in the preparation of a development plan documents. Accordingly, the council must notify specified bodies of the PNAAP and invite each of those bodies to make representations about what it ought to contain. The specified bodies are identified as specific consultation bodies as the LPA considers may have an interest in the PNAAP, general consultation bodies as thought appropriate and persons who are resident or who carry on business in the area. In preparing the PNAAP, the local planning authority must then take into account any representations made to them in response to the consultation or invitation to make representations.
92. Section 19(3) of the Planning and Compulsory Act 2004 ("the Act") specifically requires local planning authorities to comply with their adopted SCI. In so far as the SCI exceeds the consultation requirements of the Regulations, it must be complied with. The involvement of the public and stakeholders across different

sectors in preparing the PNAAP must therefore follow the approach set out in the council's SCI.

93. The council is required to undertake timely, effective and conclusive discussion with key stakeholders on what option(s) for a PNAAP are deliverable. This should help ensure that the PNAAP is sound and in fact deliverable.

#### **The PNAAP preferred option**

94. In devising its strategy the council is required to be consistent with national policy and in general conformity with the London Plan. This means that the choices made regarding, for example where growth should take place should be consistent with national and regional policy. The PNAAP should be concentrating on establishing a clear direction for the regeneration of the area with regards to specific issues that have been identified as being of local importance such as the town centre and transport.
95. The PNAAP should align and coordinate with the local development framework, the council's sustainable community strategies and the core strategy which provide the overarching strategic objectives for the borough. Therefore the key spatial planning objectives for the Peckham and Nunhead area should be in alignment with priorities identified in the statement of community involvement and the core strategy.
96. The PNAAP must be justifiable. It must be founded on a robust and credible evidence base as well as the most appropriate strategy when considered against the reasonable alternatives.
97. The council must be able to demonstrate at the public examination that the preferred option(s) are the most appropriate when considered against reasonable alternatives delivers confidence in the strategy. It requires the council to seek out and evaluate *reasonable* alternatives promoted by themselves and others.

#### **Sustainability appraisal**

98. The Planning and Compulsory Purchase Act 2004 requires a sustainability appraisal (SA) to be prepared for all emerging development plan documents and therefore this applies to the PNAAP.
99. The sustainability appraisal required by section 19(5) of the Planning and Compulsory Purchase Act 2004 is an appraisal of the economic, social and environmental sustainability of the plan.
100. The sustainability appraisal performs a key role in providing a sound evidence base for the plan and is an integral part of the plan preparation process, hence it also forms part of the consultation process for the PNAAP preferred options. The Sustainability Appraisal should inform the evaluation and selection of alternatives. It will also provide a means of proving to decision makers, and the public, that the plan is the most appropriate given reasonable alternatives.
101. In summary the PNAAP must be effective. This means it must be deliverable, flexible and capable of monitoring.

102. Deliverability is demonstrated by showing how the vision, objectives and strategy for the area will be delivered and by whom, and when. This includes making it clear how infrastructure which is needed to support the strategy will be provided and ensuring that what is in the plan is consistent with other relevant plans (such as other DPDs) and strategies relating to adjoining areas.
103. Flexibility is demonstrated by showing that the PNAAP can deal with changing circumstances. Area action plans should look over a long time frame – 10-15 years usually but more if necessary.
104. It may not always be possible to have maximum certainty about the deliverability of the strategy, particularly in the current economic climate. However, given the timeframe of the PNAAP it should also be borne in mind that it is likely to endure a number of economic cycles, each presenting different constraints and opportunities. The PNAAP preferred options should therefore demonstrate flexibility and the alternative strategies that have been prepared to handle this uncertainty.
105. The PNAAP preferred options must have clear arrangements for monitoring and reporting results to the public and civic leaders. Monitoring is essential for an effective strategy and will provide the basis on which the contingency plan(s) within the strategy would be triggered. The delivery strategy should contain clear targets or measurable outcomes to assist this process.

### **Equality impact assessment**

106. The Equality Act 2010 brought together the numerous acts and regulations that formed the basis of anti-discrimination law in the UK. It provides for the following “protected characteristics”: *age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex, and sexual orientation*. Most of the provisions of the new Equality Act 2010 came into force in October 2010 (“the 2010 Act”).
107. In April 2011 a single “general duty” was introduced namely the Public Sector Equality Duty (PSED). Merging the existing race, sex and disability public sector equality duties and extending the duty to cover the other protected characteristics namely age, gender reassignment, pregnancy and maternity, religion or belief and sexual orientation, (including marriage and civil partnership).
108. The single public sector equality duty requires all public bodies to “eliminate unlawful discrimination, harassment and victimisation”, “advance equality of opportunity between different groups” and “foster good relations between different groups”.
109. Disability equality duties were introduced by the Disability Discrimination Act 2005 which amended the Disability Act 1995. The general duties in summary require local authorities to carry out their functions with due regard to the need to:
  - (a) “Promote equal opportunities between disabled persons and other persons;
  - (b) Eliminate discrimination that is unlawful under the Act;
  - (c) Eliminate harassment of disabled persons that is related to their disabilities;
  - (d) Promote a positive attitude towards disabled persons;
  - (e) Encourage participation by disabled persons in public life; and

- (f) Take steps to take account of disabled person's disabilities even where that involves treating disabled persons more favourably than other persons."

110. The carrying out of an EqIA in relation to policy documents such as the PNAAP improves the work of Southwark by making sure it does not discriminate and that, where possible, it promotes equality. The EqIA ensures and records that individuals and teams have thought carefully about the likely impact of their work on the residents of Southwark and take action to improve the policies, practices or services being delivered. The EqIA in respect of the PNAAP needs to consider the impact of the proposed strategies on groups who may be at risk of discriminatory treatment and has regard to the need to promote equality among the borough's communities.

### **Soundness of the PNAAP**

111. Under the Planning and Compulsory Purchase Act 2004 S 20(5)(a) an Inspector is charged with firstly checking that the plan has complied with legislation and is otherwise sound. Section 20(5)(b) of the Act requires the Inspector to determine whether the plan is 'sound'. The 'soundness test' includes in particular ensuring that the plan:-

- (i) Has been prepared in accordance with the local development scheme
- (ii) Is in compliance with the statement of community involvement and the Regulations;
- (ii) Has been subject to sustainability appraisal;
- (iii) Has regard to and is consistent with national policy;
- (iii) Conforms generally to the spatial development strategy, namely the London Plan;
- (iv) Has regard to other relevant plans, policies and strategies such as other DPDs which have been adopted or are being produced by the council, or indeed, those of neighbouring boroughs particularly on cross-cutting issues such as transport;
- (v) Has regard to any sustainable community strategy for its area; and
- (vi) Has policies, strategies and objectives which are coherent, justified, consistent and effective.

112. 'Justified' means that the document must be founded on a robust and credible evidence base and that it must be the most appropriate strategy when considered against reasonable alternatives. 'Effective' means that the document must be deliverable, flexible and able to be monitored. These are the overarching principles that should be in members' minds when providing comments on the documents before them.

### **Human rights considerations**

113. The policy making process potentially engages certain human rights under the Human Rights Act 2008 (the HRA). The HRA prohibits unlawful interference by public bodies with conventions rights. The term 'engage' simply means that human rights may be affected or relevant. In the case of the PNAAP preferred options, a number of rights may be relevant:

- **The right to a fair trial (Article 6)** – giving rise to the need to ensure proper consultation and effective engagement of the public in the process;
- **The right to respect for private and family life (Article 8)** – for instance the selection of preferred options from a number of alternatives could



impact on housing provision, re-provision or potential loss of homes as a result of re-development. Other considerations may include significant impacts on amenities or the quality of life of individuals;

- **Article 1, Protocol 1 (Protection of Property)** – this right prohibits interference with individuals' right to peaceful enjoyment of existing and future homes. It could be engaged, for instance, if the delivery of any plan necessitates Compulsory Purchase Orders;
- **Part II Protocol 1 Article 2 Right to Education** – this is an absolute right enshrining the rights of parents' to ensure that their children are not denied suitable education. This will be a relevant consideration in terms of strategies in the plan which impact on education provision, e.g. the proposal to provide a new secondary school at Rotherhithe.

114. It is important to note that few rights are absolute meaning they cannot be interfered with under any circumstances. Other 'qualified' rights, including the aforementioned Article 6, Article 8 and Protocol 1 rights, can be interfered with or limited in certain circumstances. The extent of legitimate interference is subject to the principle of proportionality which means a balance must be struck between the legitimate aims to be achieved by a local planning authority in the policy making process against potential interference with individual human rights. Public bodies have a wide margin of appreciation in striking a fair balance between competing rights in making these decisions. This approach has been endorsed by *Lough v First Secretary of State* [2004] 1 WLR 2557 and clearly shows that human rights considerations are also material considerations in the planning arena which must be given proper consideration and weight. It is acceptable to strike a balance between the legitimate aims of making development plans for the benefit of the community as a whole against potential interference with some individual rights.

#### **Departmental Finance Director**

115. This report recommends that cabinet considers and adopts the Peckham and Nunhead Area Action Plan (AAP) Preferred Option (Appendix A) and note the appendices relating to the consultation report, consultation strategy, consultation plan, sustainability appraisal, equalities impact assessment and other relevant appendices.
116. There are no immediate financial implications arising from the adoption of the recommendations, and staff time to effect these recommendations will be contained within existing budgeted revenue resources.
117. Any specific financial implications arising from the final Peckham and Nunhead Area Action Plan will be included in subsequent reports for consideration and approval.

**BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
London Plan 2011	Planning Policy Team, 160 Tooley Street, London SE1 2QH	Sandra Warren 020 7525 5471
Southwark Statement of Community Involvement 2008	Planning Policy Team, 160 Tooley Street, London SE1 2QH	Sandra Warren 020 7525 5471
Core Strategy 2011	Planning Policy Team, 160 Tooley Street, London SE1 2QH	Sandra Warren 020 7525 5471
Saved Southwark Plan 2007	Planning Policy Team, 160 Tooley Street, London SE1 2QH	Sandra Warren 020 7525 5471

**APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix A	Preferred Option report (circulated separately on a supplemental agenda)
Appendix B	Consultation report (available on the internet)
Appendix C	Consultation strategy (available on the internet)
Appendix D	Consultation plan (available on the internet)
Appendix E	Interim sustainability appraisal (available on the internet)
Appendix F	Equalities impact assessment (available on the internet)
Appendix G	Appropriate assessment (available on the internet)
Appendix H	Schedule of proposed changes to the proposals map (available on the internet)

**AUDIT TRAIL**

<b>Cabinet Member</b>	Councillor Fiona Colley, Regeneration and Corporate Strategy	
<b>Lead Officer</b>	Eleanor Kelly, Deputy Chief Executive	
<b>Report Author</b>	Alison Squires, Planning Policy Team Leader	
<b>Version</b>	Final	
<b>Dated</b>	26 January 2011	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
	<b>Officer Title</b>	<b>Comments Sought</b>
	<b>Comments included</b>	
	Strategic Director of Communities, Law & Governance	Yes
	Finance Director / Departmental Finance Manager	Yes
	<b>Cabinet Member</b>	Yes
	<b>Date final report sent to Constitutional Team</b>	26 January 2012

<b>Item No.</b> 15.	<b>Classification:</b> Open	<b>Date:</b> 7 February 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Disposal of Land at Coopers Road, SE1 (Phase 4)	
<b>Ward(s) or groups affected:</b>		South Bermondsey	
<b>Cabinet Member:</b>		Councillor Richard Livingstone, Finance, Resources and Community Safety	

### **FOREWORD - COUNCILLOR RICHARD LIVINGSTONE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY**

This report recommends the sale of land at the junction of Coopers Road and Rolls Road to the Peabody Trust to allow the completion of the final phase of the regeneration of the Coopers Road Estate. This project started as part of the Southwark Estates Initiative and the regeneration work in the area commenced in 2005.

The development of this land will both provide new affordable, shared-ownership and private housing and improve a plot that currently detracts from the area and feels unsafe. The affordable rent levels set out in the report are based on the target levels agreed by the council's planning committee.

The proposed sale would also generate a return for the housing investment programme, to contribute towards the council's work to make every council home warm, dry and safe.

### **RECOMMENDATIONS**

That Cabinet authorises:

1. The head of property to dispose of the council's freehold interest in the land at the Coopers Road estate SE1 (the "Site"), as shown and highlighted in bold on the attached plan at Appendix 1 to the Peabody Trust, or one of their associated companies, on the terms outlined in the closed version of this report.
2. The head of property to agree any minor variation to the terms of the sale, with the Peabody Trust, which may arise prior to the completion of the transaction.

### **BACKGROUND INFORMATION**

3. Regeneration of the Coopers Road estate first began in 2005 as part of the Southwark Estates Initiative. It has to date involved the phased replacement of four 1960s blocks with 154 new flats and houses for rent and shared ownership for both Peabody and the council, which retains forty units. The Site, also known as phase 4, remains the last part of the project to be completed. It was originally designated as the private housing for sale site in the original project masterplan.
4. The Site is currently hoarded and cleared. It was formerly occupied by a 1960's built four storey block containing 12 three bedroom maisonettes. This block was

demolished in 2008. Previous attempts to develop this site in conjunction with partner registered providers (RPs) have so far proved unsuccessful. The last and most recent work by Wandle housing association failed to move forward for a number of reasons, not least inadequate funding. The council's then executive approved the terms for a disposal of the Site in October 2009 but Wandle withdrew from their proposed scheme in March 2011.

5. Peabody have adopted the former proposals first formulated by Wandle and plan to develop a scheme of forty six units comprising one hundred and fifty four habitable rooms arranged over five storeys across a variety of unit types;

	1 bed	2 bed	3 bed	4 bed	total
<b>Affordable Rent</b>	0	3 (3W)	4 (2W)	4	11
<b>Shared Ownership</b>	3	6	10	0	19
<b>Private Sale</b>	8	3	5	0	16

6. The proposal also includes the provision of five units for wheelchair users. The unit mix is for 11 affordable rented units for general needs and 19 units for shared ownership. The private 'for sale' units are necessary so that the proposal will comply with the local planning authorities adopted policies found in the core strategy. Wandle had a number of pre application discussions with the planning authority prior to releasing this opportunity for Peabody to pursue. Peabody are confident of submitting an application shortly.
7. Peabody has appointed ECD as their architects. ECD were responsible for the design of the previous phases of the Coopers Road estate and are a Southwark based practice that specialise in low carbon residential, education, healthcare, commercial, leisure and refurbishment projects. They were also the architects for Success House a Peabody scheme which fronts onto the nearby Old Kent Road. The youth facility that was displaced as a consequence of the Coopers Road estate regeneration has been reprovided on the ground floor of this building and is now fully operational.
8. Previous Phases of the estate have won a number of awards including a commendation for the best social housing development at the National Homebuilder Design Awards 2005. It has also been recognised by the Commission for Architecture and the built Environment (CABE) with a Building for Life Standard in recognition of its high quality design, good place-making and sustainable development. The Civic Trust awarded it a commendation in 2006 at its awards that year. The estate also achieved a Building for Life silver standard in 2008.
9. The Site is held in the housing revenue account. The Site has been declared surplus to the council's requirements. The disposal of properties held for housing purposes is permitted by virtue of the Section 32 of the Housing Act 1985 subject to the consent of the Secretary of State for Communities and Local Government, where necessary. General Consents have been issued in the General Housing Consents 2005 to dispose of land where specific consent is not required. The head of property considers that the offer satisfies the council's obligation to obtain the best consideration that can be reasonably be obtained. As part of the evaluation process the site has been subject to a third party valuation by Drivers Jonas Deloitte LLP, the council's retained valuation surveyors.
10. Peabody are pursuing grant funding from the Homes and Communities Agency

(HCA) for their proposed scheme as part of their contract to deliver the affordable homes programme.

11. Peabody's offer is set out in the closed version of this report and is subject to the following assumptions;
- Receipt of planning permission
  - Confirmation of HCA funding
  - Satisfactory site and soil surveys
  - Deduction for abnormal costs
  - Overage/underage adjustment for an increase or decrease in the number of habitable rooms as determined by the planning process
12. The offer is based upon and assumes that the rent levels on the affordable three and four bed units to be at target levels of 40% and below of market rent. These rent levels equate to social rents. Rents on the two bed units are assumed at 70% of market value. This is illustrated in the table below and is based on market data provided to Peabody by King Sturge property consultants.

	<b>Market Rent Sep 2011</b>	<b>Service Charge</b>	<b>Affordable Rent (net of SC)</b>	<b>% of Market</b>
<b>2 bed</b>	£325	£20	£207.50	70%
<b>3 bed</b>	£380	£20	£133.74	40%
<b>4 bed</b>	£445	£20	£140.78	36%

13. These rental relativities will be reflected and enshrined in the section 106 agreement which will arise as a result of the planning application. This will protect rent levels on the units within the scheme after it is completed and occupied.

## **KEY ISSUES FOR CONSIDERATION**

### **Policy implications**

14. The proposal by Peabody will see the Site developed for much needed affordable housing, including 23 larger units for families. In particular the proposal provides for three bed units for shared ownership which are rarely made available. This assists the council in meeting its commitment to regeneration and sustainability in housing as demonstrated through the 2009-2016 Southwark Housing Strategy.
15. The development of this under utilized site will remove a visual eyesore and help to reduce opportunities for anti social behaviour. This will assist the council in meeting its cleaner, greener and safer agenda.
16. The provision of affordable housing will provide excellent opportunities to those in high priority need, including those impacted by regeneration programmes.
17. The proposed development will enjoy very high standards of sustainability. The properties will be designed and built to level 4 of the code for sustainable homes. Investigations are ongoing about the possibility of connecting to the combined heat and power plant that supplies the rest of the estate.
18. Peabody have structured their offer in a such a way as to make the scheme

financially viable. Whilst it is Southwark policy to require the provision of social rented units rather than the new affordable rent tenure the council has agreed to look at each proposal on a case by case basis, as set out in the report to the council's planning committee on the 20 December 2011.

19. In April 2011 Councillor Fiona Colley, cabinet member for regeneration and corporate strategy, wrote to all the RP's active in Southwark setting out options that should be applied in light of the national changes introducing affordable rent, reducing grant funding and the changes to the welfare system. The letter set out three options that should be applied when the policy requirement cannot be met. Peabody have adopted option 3 set out in this letter which suggests that RP's should 'concentrate on providing one and two bed homes at 80% market rent level on the basis of providing three bed plus homes at social rent'. Their offer adheres closely to this option.

### **Community impact statement**

20. Phase 4 is a corner site which sits on the northern end of Coopers Road and the junction with Rolls Road. The site has been empty and hoarded since the former 1960s block was demolished in 2008. The proposed development will finally complete the regeneration of the old Coopers Road Estate providing a significant improvement to the area. Its completion will fulfill the original brief to engage with local residents and create a regeneration plan for the estate that addressed key urban design issues such as security, identity, and relationship to the surrounding area and one which was a model of sustainable regeneration and stand the test of time. The completed estate will have a range of tenures and unit types.

### **Resource implications**

21. The proposal will generate a substantial capital receipt in support of the council's housing investment programme.
22. Disposal of the vacant Site will relieve the council of ongoing maintenance and management costs such as security and dealing with flytipping.

### **Consultation**

23. From its inception, the wider estate regeneration has been the subject of detailed consultation with both the former residents and the local community.
24. Peabody will undertake further consultation on the detail of their proposed development prior to submitting their planning application.
25. The terms of this proposed disposal are not deemed appropriate for wider consultation. Any planning application which may arise as a result of this disposal will be subject to the usual statutory consultation.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law & Governance**

26. As the Site falls within the council's housing portfolio, the disposal can only proceed in accordance with Section 32 of the Housing Act 1985, for which purposes the consent of the Secretary of State for the Department of

Communities and Local Government is required.

27. A number of general consents have been issued in the General Housing Consents 2005.

28. Consent E 3.1 states:

*A local authority may dispose of any land held for the purposes of Part II for the best consideration that can reasonably be obtained, provided that any dwelling house included in the disposal:*

- a) *Is vacant*
- b) *Will not be used as housing accommodation; and*
- c) *Will be demolished.*

29. The report indicates in paragraph 4 that the Site, previously used for housing, is vacant and the buildings on the Site have been demolished. In addition the report confirms that the price being paid for the Site is the best consideration that can reasonably be obtained.

30. The report indicates in paragraph 9 that the Site has been declared surplus.

#### **Finance Director**

31. This report recommends that the council disposes of its freehold interest in the land at the Coopers Road estate SE1 to the Peabody Trust. The head of property confirms that best consideration requirements have been met.

32. The finance director notes that the property is a housing fund property that has been declared surplus to council requirements and that a capital receipt will be received by the council.

33. Reasonable council expenditure for legal costs, valuation etc will be borne by the council and the council will be absolved from ongoing management costs related to the site on transfer. Officer time to effect the recommendation will be contained within existing budgeted revenue resources.

#### **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Cabinet report, 7 February 2011	Southwark Property, Regeneration and Neighbourhoods, 160 Tooley Street London SE1 2QH	Paul Davies Principal Surveyor 020 7525 5529

#### **APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix 1	Ordnance Survey Extract

**AUDIT TRAIL**

<b>Cabinet Member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety	
<b>Lead Officer</b>	Eleanor Kelly, Deputy Chief Executive	
<b>Report Author</b>	Paul Davies, Principal Surveyor	
<b>Version</b>	Final	
<b>Dated</b>	26 January 2012	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	26 January 2012	



# Draft pdf source

TITLE.

Cooper's Road Phase 4.



DRAWING No.

LBS\_1488

DRAWN BY.

MMANKTELOW  
Property Division

DATE.

9/9/2009

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<b>Item No.</b> 16.	<b>Classification:</b> Open	<b>Date:</b> 7 February 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Gateway 1 - Procurement Strategy Approval: Integrated Highways Maintenance, Project Delivery and Professional Services Contract	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Barrie Hargrove, Transport, Environment and Recycling	

**FOREWORD – COUNCILLOR BARRIE HARGROVE, CABINET MEMBER FOR TRANSPORT, ENVIRONMENT AND RECYCLING**

This report asks the Cabinet to approve the procurement strategy for three related areas; integrated highway maintenance, project delivery and professional services. I am satisfied that in agreeing this report Cabinet will be making provision for the council to secure a contract which will both reduce costs and improve its current services in the long term.

**RECOMMENDATIONS**

**Recommendations for the Cabinet**

1. That Cabinet approve the procurement strategy outlined in this report for highway maintenance; design and professional services, project construction and delivery.
2. That Cabinet notes that at the same time as seeking tenders for services the Council continues to participate in the London Highway Alliance Contract (LoHAC) procurement process in order to identify the most economically advantageous option.

**Recommendation for the Leader of the Council:**

3. That the Leader of the Council delegates authority to the Cabinet Member for Transport, Environment and Recycling to approve the Gateway 2 decision for award of contract.

**BACKGROUND INFORMATION**

4. The Council currently procures services for the maintenance, improvement design and construction of highways through two contracts, namely; the integrated highway maintenance contract with FM Conway as the term contractor and Transport Planning and Streetscene Services contract with Mouchel plc as the service provider.

### **Integrated highways term maintenance contract**

5. In May 2005 the Executive approved the award of the Integrated Highway Maintenance Term Contract to FM Conway, for a period of five years from 1 July 2005 with an option to extend the contract term for up to two further years subject to reaching performance criteria.
6. In June 2010 the Finance Director approved the contract extension of the Integrated Highways Maintenance Term Contract for a period of two years from 1 July 2010 to 30 June 2012.
7. The scope of the services included within this contract include;-
  - Programmed highway inspections and fault reporting
  - Reactive and planned maintenance
  - Highway capital schemes (projects)
  - Programmed gulley inspections, fault reporting and gulley cleansing
  - Reactive and planned drainage works
  - Programmed inspections of structures and fault reporting
  - Reactive and planned maintenance of structures
  - Winter service

### **Transport planning and streetscene services contract**

8. In December 2005 the Executive approved the award of the Transport Planning and Streetscene Services contract to Mouchel Parkman Ltd (now the Mouchel Group plc) for an initial period of 5 years 3 months expiring on 2 April 2011. The contract was extended by Gateway 3 approved in January 2011, for a further period to 30 June 2012.
9. The contract delivers professional services to the Environment & Leisure and Deputy Chief Executive's [formerly Regeneration and Neighbourhoods] departments. The work is substantially in transport planning, traffic and highway engineering and related services.
10. The scope of the services covered by this contract are principally the feasibility, design and implementation of traffic and transportation schemes. These are primarily funded through capital from a variety of sources – TfL grants, S106 funds, parking revenue etc. The volume of work can fluctuate from year to year and previously it has been the practice to meet peaks in demand by the ad hoc employment of agency staff or consultants. This can be very demanding of management time and can in some cases lead to a failure to complete projects on time. There are two main elements: firstly provision of co-located staff to deliver council services on a 'day to day' basis, and secondly delivery of remote project work or short term secondments to accommodate peaks in workload and/or delivery of specialist skills not available in-house

### **London Highways Alliance Contract (LoHAC)**

11. In July 2009 Transport for London (TfL) on behalf of the London Technical Advisory Group (LoTAG), Capital Ambition and the Office of Government Commerce (OGC) commissioned a project to consider the benefits of Pan

London (TfL, London Boroughs and the City of London) collaborative procurement of highway term maintenance and improvement works.

12. The drivers to the TfL project stem from the recommendations of Capital Ambition's Efficiency Delivery Plan, which identified the need for collaborative procurement and the OGC publication "Aggregation- Is bigger always better?", which identified aggregating within and between public sector organisations as an important step in achieving efficiencies and better value for money.
13. The project is now known as Transforming London's Highways Management and it has identified that at present there are some 100 contracts to maintain and manage London's highway network. These contracts collectively have an annual value of £350 million and the business case suggests that there is a potential for savings ranging from 5% to 15% from the use of common specifications and the procurement of a collaborative contract.
14. Based on the work undertaken as part of this project TfL will lead on the procurement of an anchor contract for Highways Maintenance and Improvement Works on the Transport for London Road Network (TLRN), to be let on four geographic areas based on the current LoTAG sector grouping; North East, North West, Central and South London, with Southwark grouped in the Central Area with Lambeth, Wandsworth, Hammersmith & Fulham, Kensington and Chelsea, Westminster, Camden, Islington, Hackney, Tower Hamlets and City of London.
15. The contract will begin on 1 April 2013 and will be available to all London Boroughs to use if they wish to. The contracts will be based on a common condition of contracts and specification and cover highways, lighting, winter service, horticultural, planned, reactive and emergency activities and design services.

### **Summary of the business case/justification for the procurement**

16. It is necessary that Southwark Council as a Highway Authority meets the statutory requirement that the highway network is 'kept safe' – Highways Act 1980 Section 41. This in practice places a responsibility on the local authority to maintain and improve the highway to the benefit of all users at public expense. The traditional mechanism to achieve this is through the appointment of term contractors.
17. The proposed contract and contract specification will enable the Council to administer the 'peaks and troughs' of management and supervisory work load involved in project delivery and professional services elements.
18. The proposed contract and contract specification will also derive efficiencies in the delivery of projects such as the non principal road programme and LiP funded schemes.
19. The proposed contract and contract specification will also need to enable the Council to access on the limited occasions when needed specialist non-retained skills such as design expertise in bridge construction, traffic flow analysis, flood and water management.
20. In order to achieve this, the current arrangements with incumbent contractors will be extended to end of March 2013 to enable the Council to review and take advantage of all available contract procurement options (see separate reports).

21. The contract specification and tender documents will be prepared by officers within the Environment & Leisure Department – Public Realm Division and will reflect current engineering practice and operations whilst ensuring the introduction of innovation has been considered.
22. Pre-qualifying for the tender process will include the need to demonstrate service excellence, and the desire for continuous improvement. The contract specification will also include key performance indicators which will monitor performance, penalising or rewarding below or above performance expectations.

### **Internalisation of services**

23. Internalisation of these service areas has been considered but not pursued due to the capital and start-up costs related to a contract of this nature. Depot / yard, plant, equipment and vehicles would make the internalisation cost prohibitive.

### **Shared services**

24. Southwark, Lambeth and Lewisham have met to consider the possibility of establishing a shared service for the delivery of highway services across the three boroughs. Officers have shared operational, technical, and financial information relating to their current term contracts.
25. The boroughs' existing contracts have been prepared using bespoke contract requirements targeted at each borough's perceived need. Each has different scope, specification and mechanisms for performance management and improvement.
26. Each of the boroughs also have varying levels of capital and revenue funding, staff and client structure, cost centres and as noted above different specification. Until these differences can be realigned to provide a reasonably common operational basis, the sharing of services is considered premature. It is recommended that the established practice of sharing intelligence between these boroughs is continued.
27. Lambeth and Lewisham are pursuing a similar procurement strategy to Southwark, i.e. sourcing a supplier from the market whilst retaining the option of participating in the London Highways Alliance Contract at a later date. It is concluded that there is little benefit to be derived from considering a shared service with Lambeth and Lewisham as an alternative to a 'dual approach' of single borough procurement alongside LoHAC. It is understood that currently a number of the London boroughs are adopting a similar 'wait and see' approach to committing to LoHAC.

### **Consolidation of existing services**

28. Historically term maintenance and design services have been procured separately as service providers tended to operate in two different fields. Consolidation of this market in recent years has meant that procurement of these services through a single process provides opportunities for savings through reduced overheads.
29. In order to deliver the most economically advantageous procurement output it is proposed to combine the above services into one procurement package

commencing 1 April 2013. Should the recommendations of this report be agreed in order to provide service continuity up to 1 April 2013 it will be necessary to realign the end dates of both of the current contracts to 31 March 2013. This will be effected by :

- Combined Gateway 1 and 2 procurement strategy and contract award report which is also on this meeting's agenda which seeks the approval of a single supplier award to the incumbent term contractor terminating 31 March 2013. The additional time period gained by this award will allow sufficient flexibility to adopt , if considered appropriate, other procurement packages;
- Gateway 3 for the variation and extension of the professional services contract from 30 June 2012 to 31 March 2013. This is a delegated decision to be taken by the finance director.

### **Market considerations**

30. In the London area there has been consolidation trend in organisations providing highway maintenance to local authorities where smaller / medium size organisations have been absorbed by larger organisations or have a limited sub contracting role. Of the hundred current contracts and excluding the TfL contract, two organisations account for 80% of the overall value.
31. A less dramatic trend change has occurred in organisations offering professional services support to public sector clients due to the wider market offered by the private sector, more varied contract arrangements and fluctuations in work demand.
32. A possible implication in the longer term of procuring a combined highway and professional service is that less importance may be applied to latter since it represents a far smaller proportion of the overall value of the contract. The mitigation measure for this is addressed later in this report.

### **Proposed procurement route**

33. Given the anticipated financial value of these contracts, the Council is obliged to follow an OJEU compliant procedure.
34. Following the evaluation of the Pre Qualifying Questionnaire, it is proposed that a minimum of five service providers will be invited to bid for each of the three tender packages.
35. The timing of the Southwark tendering process and the identification of the Most Economical Advantageous Tender will allow evaluation against the winning LoHAC bid(s).
36. Following the above, a decision will then be made on the most advantageous option for the Council.

### **Options for procurement including procurement approach**

37. The estimated total annual value of the new contract arrangements is £11.588 million per annum equating to £66.528 million for six years and £87.704 million if extended a further two years for eight years.

38. The procurement options available are listed below and a more detailed evaluation is presented in Appendix 1:
- Procurement Option 1 – For Southwark to develop a form of contract and specification and procure from the market contractor or contractors to deliver the identified services.
  - Procurement Option 2 – To utilise the emerging LoHAC initiative which is programmed to commence 1 April 2013.
  - Procurement Option 3 – For Southwark to independently obtain competitive tenders for identified services and to then undertake a comparative evaluation with the returned LoHAC tenders.
  - Procurement Option 4 – To align Southwark with 1 other (or more) borough to complete a joint procurement process.
  - Procurement Option 5 – To internalise the contract and service delivery.
39. Based on the evaluation, the adoption of Option 3 is recommended as this offers the opportunity for Southwark to market test as an individual Borough whilst retaining sufficient flexibility to adopt the LoHAC procurement initiative should that prove advantageous in both cost and quality.
40. The contract package will seek to secure three elements of service delivery for the Council, namely:
- Integrated highway maintenance
  - Project delivery (works)
  - Professional services.
41. The contract packaging options are listed below and a more detailed evaluation is presented in Appendix 2:
- Contract Option 1 – Separate Function Contracts – e.g. one for surfacing, one for structures, one for design and management, one for projects etc
  - Contract Option 2 – One Large Works Contract with separate professional services contract
  - Contract Option 3 – A combination of lots comprising one, two or three of the contract elements, namely integrated highways maintenance, project delivery (works) and professional services
  - Contract Option 4 – Private Finance Initiative
  - Contract Option 5 – Contracts split on a geographical basis
42. Contract Option 3 is recommended as this provides suppliers the opportunity to provide costs at or below comparable market rates in their chosen field. It also provides the opportunity for a single multi-skilled supplier to provide further economies of scale based on success in two or more lots.
43. The procurement process and contract documentation will allow for suppliers to provide services to one, two or all three elements of the contract package.

44. A discount mechanism will be included in the contract specification which will allow Southwark to receive further savings against submitted tender prices should a single supplier win two or more elements of service.
45. Should three separate suppliers win individual elements three contracts will be let. Should two be successful in one or two elements then two contracts will be let. If one supplier is successful in all elements then one contract containing all three elements will be let.

#### Identified risks and how they will be managed

46. The table below identifies a number of risks associated with this procurement strategy and controls to mitigate the risks:

Risk No	Risk Identification	Risk Control
R1	Gateway 1 approval delayed	Contingency plan for resubmitting report.
R2	Procurement process becomes delayed	Timetable needs to be realistic and able to accommodate changes, continuous reviews of the procurement process to ascertain whether on course for start date.
R3	Deadline for advertising contract delayed.	Re-assess and re-evaluate position, link into R2 item above.
R4	Contract start date amended	Provide sufficient time for contractor to maintain resource level.
R5	No contract in place on 01/04/2013	Service delivery will be affected and negotiations with the current contractors would have to take place. Seek advice from Legal and Procurement
R6	Contract fails to perform to specification standard	Default and termination clauses within documentation. Spot prices to be provided from local providers for emergency works pending appointment of new contractor.
R7	Under resourcing of the Contract	Identify any issues during tendering process including staffing levels required to carry out contract.
R8	Contractor ceases to trade or suffers financial difficulty	Ensure appropriate vetting procedure as part of procurement process, ensure appropriate bond or other protection is agreed in contract
R9	Contractors will be reluctant to bid knowing there will be a secondary evaluation against LoHAC tender returns	Make sure the tender and evaluation process is transparent with suppliers able to adopt a strategic decision based on the process requirements
R10	Risk of potential contractors not wishing to go through two tendering processes	As far as possible align contract / tender details with that of the LoHAC initiative to minimise additional tender preparation.
R11	Delay in availability of LoHAC returned tender evaluation for comparison with Southwark procured tender evaluation	The LoHAC procurement programme is currently 3 months ahead of Southwark representing a built in safety margin against delays.
R12	Non disclosure of returned tender evaluation by LoHAC	Secure written commitment from LoHAC representatives that LoHAC tender evaluation results and financial model will be made available.



Risk No	Risk Identification	Risk Control
R13	Insufficient interest in responding to the PQQ resulting in a cessation of the procurement strategy	Undertake market research of current /potential contractors in London area and timings of contracts. Have in place a contingency plan, i.e. join LoHAC initiative and reassess against response to (earlier) OJEU Notice
R14	Sub standard delivery by professional services provider in a combined services procurement due to the relatively smaller value in comparison with contracting activities	Include key performance indicators and robust monitoring in the contract.
R15	Southwark and LoHAC evaluations based on different specifications.	Evaluation model to be robust and include like for like descriptions of work types

## KEY ISSUES FOR CONSIDERATION

### Key decision policy implications

47. This procurement strategy is for a Council wide works and professional services contract arrangements is worth over £11.5 million per annum over six years + a possible two year extension and therefore subject to a key decision process. The adoption of a contract duration identical to that of the LoHAC will assist in a later entry to this initiative should this prove advantageous.
48. The procurement strategy set out in this report is consistent with policies in the current corporate plan and all supplementary plans such as the Highways Asset Management, Transport and Parking Plan.
49. The table below provides a comparison between the procurement milestones for the Southwark and LoHAC initiatives.

### Procurement project plan (key decisions)

Activity	Milestones	
	Southwark	LoHAC
Forward Plan	November 2011	
DCRB Review Gateway 1: Procurement strategy approval report	08/12/2011	08/12/2011
CCRB Review Gateway 1: Procurement strategy approval report	15/12/2011	15/12/2011
Approval of Gateway 1: Procurement strategy report Cabinet – 7 Feb	07/02/2012	24/01/2012
Scrutiny Call-in period and notification of implementation of Gateway 1 decision date to be added subject to CCRB	22/02/2012	03/02/2012
Advertise the contract	14/03/2012	06/11/2011
Completion of tender documentation	09/04/2012	

Activity	Milestones	
	Southwark	LoHAC
Closing date for expressions of interest	13/04/2012	14/11/2011
Completion of short-listing of applicants	18/05/2012	
Invitation to tender	04/06/2012	06/02/2012
Closing date for return of tenders	20/07/2012	30/04/2012
Completion of evaluation of tenders	16/11/2012	
Completion of any interviews	30/11/2012	
DCRB/CCRB/CMT Review Gateway 2: Contract award report	Dec 2012	
Notification of forthcoming decision (five clear working days)	Dec 2012	
Approval of Gateway 2: Contract Award Report	Jan 2013	
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	Jan 2013	
Alcatel Standstill Period notice period 10 days to be added	Feb 2013	
Contract award	Feb 2013	Nov 2012
Contract start	01/04/2013	01/04/2013
Contract completion date	31/03/2019	31/03/2021
Contract completion date (post extension)	31/03/2021	

### TUPE implications

50. TUPE may apply if the incumbent contractor(s) are unsuccessful in winning the new contract(s). This may result in the transfer of staff to the new contractor.
51. As part of the procurement process and before the invitation to tender stage, the incumbent contractor will be required to supply relevant TUPE details listing those staff eligible for transfer. This information will be updated on a regular basis throughout the procurement period. Legal Services will be asked to provide any necessary advice and assistance.

### Development of the tender documentation

#### Contract period

52. The proposed contract period for all three contract elements is 6 years with an option of a further two year extension. This period will allow suppliers long enough to recoup / amortize capital investment with sufficient payback period across the contract term and also aid Southwark in receiving optimum rates.
53. The possible extension period will also allow Southwark to continue to receive those beneficial rates subject to supplier performance.

### **Contract form**

54. The proposed form of contract will be New Engineering Contract (NEC) 3 which is also the basis for the LoHAC contracts.
55. The current contract in use for Highways Maintenance and Project delivery is Institution of Civil Engineers (ICE) 6th edition. This contract form is no longer supported by the institution. NEC3 is the form of the current professional services contract. The Institution of Civil Engineers endorses NEC3 which is a family of contracts that facilitates the implementation of sound project management principles and practices as well as defining legal relationships.
56. NEC 3 will be the contract form used in managing the services set out in this report. It is suitable for procuring a diverse range of - Works, Services and Supply spanning major framework projects through to minor works and purchasing of supplies and goods.

### **Contract specification**

57. The contract specification being developed whilst balancing associated cost will reflect innovation, continuous improvement and transfer of risk. It is intended that the borough will, even if it procures single contract, use a specification substantially the same as the specification developed by LoHAC which reduces duplication of effort,
58. Consideration will be given to innovation in materials, available and new technologies, work practices and methods of management. Continuous improvement and quality based specification selections and regular reviews of performance against key performance indicators. Appropriate transfer of risk to supplier should they be best placed to manage the identified contract or service risk.
59. The contract specification will also where applicable include recommendations from Environment, Transport, Communities and Citizenship Scrutiny Sub-Committee which is currently reviewing this work area.

### **Performance indicators**

60. Included in the contract specification will be 3 suites of Key Performance Indicators (KPI's). Each set of KPI's will reflect each of the 3 identified work elements in the new combined contract:
  - Integrated highway maintenance
  - Project delivery
  - Professional services
61. The KPI's will reflect appropriate mechanisms to ensure performance measurement and management and contract compliance. Similar KPI's are being proposed for both the LoHAC and Council contracts.

### **Contract management and supervision**

62. Whilst it would appear that there may be an increase in client duties with the possibility of contracts increasing from two to three, the reality is that officers currently operate contract administration of the three elements of service soon to be reflected as contract lots.
63. As part of the contract specification writing process a review of officer administrative and management structure will take place along with exploration of self supervision contained in the contract.

### **Advertising the contract**

64. Companies interested in tendering will be sought through advertisements through an OJEU notice and trade journal Local Transport Today as well as 'Local Government Tenders'. In order to encourage local companies to bid, the opportunity will be advertised locally in the 'South London Press'.

### **Evaluations**

65. Three evaluations will be required to inform the final award recommendation. These are:
  - Evaluation of the returned Pre Qualification Questionnaire(s)
  - Evaluation of returned tenders
  - Evaluation of comparison between the outcomes for the Southwark process and that of the declared LoHAC award

### **PQQ**

66. In response to the OJEU Notice, organisations expressing an interest in tendering will receive a PQQ designed to provide the Council with the information necessary to assess their suitability to become a prospective provider.
67. The response contained in the returned PQQ may form part of the contract should that organisation subsequently be awarded the contract.
68. The information requested will fall under the following headings:
  - Identity of applicant
  - Financial standing
  - Technical capacity and ability
  - References
  - Health and safety
  - Professional conduct
  - Equal opportunities
  - Environmental considerations
  - Technical.
69. An evaluation team comprising suitably qualified officers and reference to EXOR reports will initially review for compliance and eligibility and then proceed with the detailed evaluation. The officer representation on the evaluation panel will

reflect the nature of the three separate elements of the contract. A detailed evaluation report will be prepared.

70. As a result of this evaluation it is anticipated that a minimum of five tenderers will be invited to bid for each of the three elements forming the contract.

#### **Evaluation of returned tenders**

71. Returned tenders will be reviewed by an evaluation panel comprising suitably qualified officers reflecting the nature of the three elements of the contract. The panel will initially review for completeness and correctness of each of the bids and then proceed with the detailed evaluation.

72. The evaluation will be based on a 70% / 30% split of price and quality respectively. The price component will be based on reference to three financial models reflecting the anticipated profiled spread of work informed by experience of the current contracts. The quality component will be assessed in two stages; as presented in the interview and secondly on the basis of the documents submitted in the sealed bid.

73. The quality component will be scored by the panel with assigned predetermined weightings for each subcomponent. The tenderer will have previously been advised of the price / quality split, scoring sub totals and weightings in the OJEU Notice and guidance provided with the invitation to tender. The tenderer will also be advised on the weighting between each of the three elements of the contract.

74. At the interview and review of submitted documents the assessment panel will judge or evaluate each contractor on quality based on the following headings, the scoring distribution of which will be agreed by the review panel:

- Quality of presentation
- Quality of team
- Portfolio of Experience
- Understanding of the project
- Response to questions.

75. The Quality tender submission will evaluate each contractor on quality using the following five headings:

- Delivery Methodology
- Previous Experience
- References
- Proposed Management and Delivery Team
- QMS / EMS Accreditation.

76. A detailed evaluation report will be prepared and the officer's recommendation included in the Gateway 2 submission.

#### **Evaluation of comparison between the Southwark award and the declared LoHAC award**

77. The tender documents will include a requirement for the tenderer to price six representative schemes (two for each of the three work elements) base on their submitted rates in the schedule of rates. These six representative schemes will

also be priced using the rates supplied by the LoHAC awarded bidder. The financial model used to provide the final evaluation comparison will factor the proportion that each of the representative schemes represents on the anticipated overall work programme.

78. The financial model used in the evaluation of the returned LoHAC tenders will be based on aggregated anticipated work profiles of the constituent boroughs, which may not necessarily be representative of Southwark. A compensation for this will need to be made in the comparison with LoHAC tender evaluation outputs.
79. The procurement of the contracts would be administered by seconded staff from London Boroughs and TfL staff.
80. Proposed contractual arrangements would mean each borough in a particular sector would use and manage the same supplier. Local contract management teams would still be in existence with additional pre-agreed governance arrangements for sector and Pan London contract performance and compliance reviews.
81. In the business case for the development of LoHAC financial savings of between 5 and 15% equating to between £11m and £34m across London were identified. These savings were based on the completion and submission of questionnaires on contractual arrangements and rates which were returned by twenty five of the thirty three London Boroughs plus TfL.
82. Further analysis by officers of the anonymous information provided by TfL (each borough were only told which part of the financial detail was theirs) identified that Southwark currently receive the cheapest highways footway and carriageway maintenance rates in Inner London therefore savings which are based on the highest and average inner London costs would not be achievable by Southwark.
83. The proposed contract will be a framework arrangement with TfL named as the principal party. Joining London Boroughs will enter into a separate contract with the supplier.
84. TfL / LoHAC have agreed to allow a sharing of their evaluation of returned tenders to allow a comparison with the Southwark returned tenders. If this comparison demonstrates that the LoHAC procurement route would be the most cost advantageous then Southwark would commit (Gateway 1 applies) as a Tier 1 borough. If on the basis of this comparison Southwark decides to implement their own procurement then we would have a Tier 2 status which will still allow Southwark to join the LoHAC initiative at a later date.
85. The LoHAC procurement process is in advance of Southwark having already posted the OJEU Notice and issued invitations to tender. Currently the award of contracts is anticipated in November 2012 with a contract commencement on the 1 April 2013.
86. This robust approach to the comparative evaluation will inform the delegated decision recommended in paragraph 3 and allow for the alignment of Southwark's and LoHAC timetables if required.

### **Community impact statement**

87. People in all areas of the borough are affected by the quality of the public highway and its assets.
88. The very young and the elderly would benefit the most by having a footway network which is well maintained and safe to use.
89. The award of this contract is not considered to have any detrimental impact on local people and communities.
90. All service elements contained in the contracts are a borough-wide service. Contract specification will address planning and delivery of planned and responsive works and will seek to improve quality of the service and product and customer satisfaction.
91. The impact of the service will affect all communities/groups, residents, businesses, visitors and those that pass through the borough and will in turn improve the quality of life to all. Particular attention will be paid to the responses to the PQQ and tender responses regarding equality issues. Direct benefits are a well maintained infrastructure which makes an important contribution to the safety of all. Continued emphasis on maintenance will especially benefit the most vulnerable members of the community i.e. the elderly, the disabled and young children.

### **Sustainability considerations**

92. The proposed contract will adhere to the Council's Sustainability Policy and debris from highway maintenance will be recycled and reused in the borough whenever possible.
93. The service provider will be instructed to implement the principles of an Environmental Management System and gain certification during the contract's life.

### **Economic considerations**

94. Through the overall project plans and tender submissions suppliers will be encouraged to include:
  - A local economic benefit plan
  - Asking contractors/suppliers to engage with apprenticeship schemes
  - Advertising opportunities in local press, and a range of publications to reach small businesses, ethnic minority owned business and social enterprises
  - Asking contractors/suppliers to engage with borough-wide employment programmes such as Southwark Works and Building London Creating Futures to support unemployed residents' access to training, skills and sustainable employment
  - Encouraging contractors/suppliers to use local companies in their sub-contracting and supply chain arrangements.

### **Social considerations**

95. Due to the size of this contract, there are only a few companies in this particular market which will be able to undertake all elements of this work. Given this it is not possible to ensure that the procurement process is accessible to a variety of suppliers.
96. Small Medium Enterprises are not precluded from bidding for these contracts and may be in a position to supply elements either directly or through Joint Venture but it is unlikely they would be able to provide the full range of services required.
97. All companies providing any service will be expected to have addressed their corporate social responsibility and this will be examined under the PQQ.
98. Compliance with the London Minimum Living Wage initiative will be a contractual requirement in the new combined contract.

### **Environmental considerations**

99. The equipment used by the contractor will comply with all mayoral policies relating to vehicle emissions with plant regularly maintained.
100. The contract specification will set defined levels and requirements relating to use and management of materials including recycling and reuse.

### **Plans for the monitoring and management of the contract**

101. The monitoring and management of this contract will be split in accordance with the three service elements of the contract. Each element will reflect current practice carry out the following:
  - Weekly – Local operational review and updates
  - Bi-weekly – Programme reviews
  - Monthly – Contract monitoring and current / trend performance review
  - Annually - Contract review and objective setting.
102. Monthly and annual reviews will examine the reports from the contract performance data against the stated performance criteria as set in the contract specification. These will include key performance indicators based on:
  - Quality
  - Programme delivery
  - Health and Safety inc. Construction Design and Management
  - Customer satisfaction
  - Compliance with legislation (Traffic Management Act / New Roads and Street Works Act).
103. The LoHAC contract has similar performance criteria and reporting of monitoring / audits frequencies but with added reviews at monthly area partnering forums comprised of representatives from each borough and also quarterly by the strategic board.



### Resource implications

104. The staffing cost for this proposed procurement strategy will be met by the current budget.

### Staffing/procurement implications

105. There are no additional staffing resource implications connected with this contract although with the introduction of a new form of contract (NEC 3) there will be a training need for all staff associated with the contract supervision and administration. Note however that the professional services contract currently held with Mouchel is NEC3.

### Financial implications

106. The anticipated annual basic cost for the Contract shown below equates to the provision available for these works and fees within the Asset Management revenue and capital budgets. This budget will support the identified core services of Inspections, highways and structures maintenance, gulley cleaning and winter services (gritting). The proposed contract will not commit the council to any minimum level of expenditure during the year.

107. The expected contract expenditure is set out in the table below. The Council is not obligated to a minimum spend.

	Indicative Annual Expenditure (£m)	Indicative Contract Spend over 6 years (£m)	Indicative Contract Spend over 6 + 2 years (£m)	Notes
Highways Maintenance (Revenue Budget)	1.980	11.88	15.84	This is based on an average of the last 5 financial years minus 10% - budget reductions already agreed
Project Delivery (LBS Capital Provision for Non Principal Roads)	5.000	27.00	35.00	This is based on the medium term capital strategy
Project Delivery (TfL Capital)	3.533	21.198	28.264	This is based on an average of the last 5 financial years
Professional Services (Revenue budget for Asset Management unit except for capitalised salaries which are charged to Non Principal Roads)	1.075	6.45	8.60	This is based on an average of the last 5 financial years
<b>Total Prospective expenditure</b>	<b>11.588</b>	<b>66.528</b>	<b>87.704</b>	

### **Legal implications**

108. Please refer to legal advice in paragraph 113 below.

### **Consultation**

109. Southwark staff familiar with the workings of the current contracts have already been consulted on the options available for this contract. Included in this consultation were improvements to the content of the specification.

110. Further consultation, where appropriate, will be undertaken with other officers and service areas as appropriate throughout the procurement process.

111. Ongoing discussions are taking place with Transport for London to ensure the proposed procurement strategy is not in conflict with the London Highways Alliance Contract strategy.

### **Other implications or issues**

112. No other implications or issues have been identified.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law & Governance (SB1211)**

113. The Strategic Director of Communities, Law & Governance (“SDCLG”, acting through the Contracts Section) has advised officers in connection with the procurement of the proposed contract/s and notes the content of this report. In view of the nature and estimated value of the contract/s this procurement falls within the definition of a Strategic Procurement as prescribed by the council’s Contract Standing Orders (“CSOs”), which means that the decision on the approval of the procurement strategy must be taken by the cabinet, after taking advice from the Corporate Contract Review Board (CCRB). The Procurement Project Plan contained within paragraph 60 confirms the timing of the CCRB’s appraisal of this report.

114. Paragraph 41 describes the three elements which will comprise the proposed integrated contract, and those elements will include a substantial volume of both works and services. However, for the purposes of compliance with EU Procurement Regulations and CSOs, the Estimated Contract Value is considerably in excess of the revised EU financial thresholds applicable to works and services contracts (effective from 1 January 2012) and therefore it will be necessary for expressions of interest to be sought through the publication of a contract notice in the Official Journal of the European Union (“OJEU”). As the existing highway maintenance contract had been procured as a service contract, the SDCLG advises that the proposed integrated contract should be advertised in the same manner. The report confirms that officers also intend to publicise the procurement through appropriate trade journals and other domestic media, in line with corporate Procurement Guidelines.

115. The proposed procurement is consistent with relevant corporate policy and will assist the council to fulfil its statutory duties as local highway authority. The report describes the extent to which consultation has taken place and equalities issues have been taken into account.

116. The SDCLG will provide advice and assistance to officers throughout the procurement process, particularly in relation to the preparation and publication of the OJEU contract notice, the drafting of amendments to the NEC3 conditions of contract and the effect of the TUPE Regulations on the award of the contract.

#### **Finance Director (NR1211)**

117. This report recommends that the Cabinet approves the procurement strategy for the Integrated Highways Term Contract.
118. The Finance Director notes that capital and revenue budgetary provision exists to support the estimated contract value. The proposed contract variation does not commit the council to a minimum level of expenditure. Officer time to effect the recommendations will be contained within existing budgeted resources.

#### **Head of Procurement (MG1211)**

119. This report seeks the Cabinet's approval of the procurement strategy for the Integrated Highways - Maintenance, Project delivery and Professional Services – Contract.
120. The report details the background to the services packaged within the proposed contract and notes that tenderers will be able to bid for one, two or all three elements of the Council's contract package. A discount mechanism will apply should a single supplier win two or more elements of the Council let contract.
121. The Council's procurement will be running whilst a similar LoHAC tender for a pan-London integrated highways contract is already underway. The report sets out the rationale for pursuing a twin-track approach instead. Nevertheless, officers will continue to contribute to the LoHAC procurement and monitor its progress. Ultimately the successful bid(s) for the Southwark contract will be compared against that of the winner of the local regional LoHAC contract with the award recommendation being made to the best priced submission(s).
122. The report confirms the process and the criteria that will be used at tender evaluation to select a provider(s) to deliver this contract.
123. An OJEU restricted process will be followed with a minimum of five providers invited to tender for each of the three contract packages.
124. The report identifies a number of key procurement risks which could affect the procurement and sets out risk control mitigations. These risks will have to be actively managed throughout the process and it is recommended that an internal risk workshop is undertaken to give specific attention to these issues. Close attention will need to be given to the LoHAC procurement to ensure that the Council is able to respond to the impacts of any changes to the LoHAC timetable.
125. The key selection criteria for both PQQ shortlisting and tender evaluation are set out in outline only and these will have to be further developed and shared with interested parties and bidders. Tender evaluation of the Council led process will be on the basis of a 70%:30% price: quality ratio.
126. The timescales are tight and sufficient resources and focus will therefore need to be given to the procurement. The timetable could also be affected if the LoHAC

procurement itself is delayed. In order to help ensure flexibility in the timetabling of the award decision the report recommends that the decision is delegated to the Cabinet Member.

127. The proposed procurement process to be followed will be compliant with Contract Standing Orders and OJEU requirements. The total estimated contract value including possible extensions is £87.7m over a six plus two year contract term. It should be noted that the contract term has been selected to ensure that it matches that of the LoHAC contract.
128. The client section will be responsible for overseeing the procurement and monitoring the subsequent contract through regular meetings and service reviews. A range of relevant key performance indicators will be developed and included in the tender documentation.
129. This matter has been reviewed by both the Environment and Leisure Departmental and Corporate Contract Review Boards and recommended changes have been incorporated into this final report.
130. This advice has been provided by the Head of Environment and Leisure Procurement.

#### **BACKGROUND DOCUMENTS**

<b>Background Documents</b>	<b>Held At</b>	<b>Contact</b>
Gateway 1 & 2 – Integrated Highway Maintenance Contract	Copeland Road Depot	Mick Lucas 020 7525 1140
Gateway 3 – Consultancy Contract	160 Tooley Street, London SE1 2QH	Matt Hill 020 7525 3541
Contract Register Update		

#### **APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix 1	Evaluation summary of procurement options
Appendix 2	Evaluation summary of contract options

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Barrie Hargrove, Cabinet Member for Transport, Environment & Recycling		
<b>Lead Officer</b>	Gill Davies, Strategic Director of Environment and Leisure		
<b>Report Author</b>	Des Waters, Head of Public Realm, Environment and Leisure		
<b>Version</b>	Final		
<b>Dated</b>	27 January 2012		
<b>Key Decision?</b>	Yes	<b>If yes, date appeared on forward plan</b>	November 2011
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>			
	<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
	Strategic Director of Communities, Law & Governance	Yes	Yes
	Finance Director	Yes	Yes
	Head of Procurement (Head of Environment and Leisure Procurement)	Yes	Yes
	<b>Contract Review Boards</b>		
	Departmental Contract Review Board	Yes	Yes
	Corporate Contract Review Board	Yes	Yes
	<b>Cabinet Member</b>	Yes	Yes
	<b>Date final report sent to Constitutional Team</b>		27 January 2012

Evaluation summary of procurement options

	<b>Preferred Option</b>	<b>3</b>	
	<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Able to achieve value for money and most economical advantageous bid</li> <li>• Able to provide Southwark with control and flexibility to manage service as required</li> <li>• Able to ensure Southwark access to market expertise and quality service delivery</li> <li>• Able to select partner(s) with whom Southwark can build a relationship to deliver</li> <li>• Mitigation / minimisation of risk</li> <li>• Sufficient flexibility to allow all potential suppliers an opportunity to bid.</li> </ul>	

	<b>Procurement Option</b>	<b>Benefits</b>	<b>Risks</b>
1	Southwark to develop a contract specification and form and procure from the market a partner to deliver the identified services	<ul style="list-style-type: none"> <li>• Building on an existing contract specification</li> <li>• Allow specification which is designed just for Southwark needs</li> <li>• Lessons learnt can be applied</li> <li>• Allows LBS officer direct management and influence on contract and contractor</li> <li>• Will allow prospective suppliers to price tender on Southwark specific information, location and quantities.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost associated with procurement exercise</li> <li>• May exclude Southwark from possible savings achieved in London Alliance Contract</li> <li>• Should there be a big uptake of major contractors for the London Alliance Contract; LBS may be obliged to appoint a lesser.</li> </ul>

	<b>Procurement Option</b>	<b>Benefits</b>	<b>Risks</b>
2	To utilise the available London Alliance Contracts which are available for April 2013 onwards	<ul style="list-style-type: none"> <li>• Will allow a London wide consistent practice and specification</li> <li>• Will support London Alliance Contract</li> <li>• learning and collaboration in relation to contract management</li> <li>• Could achieve economy of scale savings</li> <li>• An opportunity to transfer 'risk' to suppliers</li> <li>• Opportunity to influence the supply chain</li> <li>• Opportunity for procurement process to request and evaluated transparent supplier costs.</li> <li>• Increasing scale of possible savings as Boroughs in the relevant sector join the contract.</li> </ul>	<ul style="list-style-type: none"> <li>• Specification is expected to be 'high end' which will come with a price premium.</li> <li>• Southwark have already been identified in the business case as receiving the lowest rates in Inner London</li> <li>• To date (Nov' 11) only 1 of all London Boroughs has confirmed use of the London Alliance Contracts for Highways Maintenance.</li> <li>• Method of early adopters accessing savings.</li> <li>• No contract escape mechanism.</li> <li>• Loss of influence over immediate decision making.</li> </ul>
3	To complete the contract specification and procurement process allowing contract options to review and compare the resultant terms with the London Alliance Contracts	<ul style="list-style-type: none"> <li>• Will allow real market testing with London Alliance Contract and Southwark tender submissions individually</li> <li>• Will allow detailed financial analysis of above tenders and ensure Southwark accesses most financial advantageous returns</li> <li>• Prospective suppliers can price tender on Southwark specific information, location and quantities.</li> </ul>	<ul style="list-style-type: none"> <li>• There will be some confidentiality issues to manage.</li> <li>• Comparing like for like descriptions and specifications will need to be managed</li> <li>• Supplier reluctance to participate due to secondary evaluation.</li> </ul>
4	To align Southwark with 1 other (or more) borough to complete a joint procurement process	<ul style="list-style-type: none"> <li>• Would allow a cross-borough specification.</li> <li>• Would be able to reduce contract management costs</li> <li>• May be able to access economies of scale</li> <li>• Support wider recommendation of cooperation between boroughs.</li> </ul>	<ul style="list-style-type: none"> <li>• Contract periods are not currently aligned</li> <li>• Issues relating to who would receive financial benefits (staff reduction savings)</li> <li>• Cross boundary political pressures on one contract management team.</li> <li>• Combined rates would be averaged; therefore one Borough would loose out.</li> <li>• Prioritisation of contractor resources during peak periods. Who decides?</li> </ul>

	<b>Procurement Option</b>	<b>Benefits</b>	<b>Risks</b>
			<ul style="list-style-type: none"> <li>• Potential of inconsistencies around public realm detailing</li> <li>• Public liability/Insurance issues</li> <li>• TUPE</li> <li>• Stakeholder buy-in difficult</li> <li>• Time required for set-up.</li> </ul>
5	To internalise the service	<ul style="list-style-type: none"> <li>• Would allow direct control on all aspects of the service.</li> </ul>	<ul style="list-style-type: none"> <li>• Capital investment requirements for Depot, plant, equipment and vehicles are prohibitive.</li> </ul>



Evaluation summary of contract options

	<b>Preferred Option</b>	<b>3</b>	
	<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Able to achieve value for money and most economical advantageous bid</li> <li>• Able to provide Southwark with control and flexibility to manage service as required</li> <li>• Able to ensure Southwark access to market expertise and quality service delivery</li> <li>• Able to select partner(s) with whom Southwark can build a relationship to deliver</li> <li>• Mitigation / minimisation of risk</li> <li>• Sufficient flexibility to allow all potential suppliers an opportunity to bid</li> </ul>	

	<b>Contract Option</b>	<b>Benefits</b>	<b>Risks</b>
1	Separate Function Contracts – e.g. one for surfacing, one for structures, one for major highway projects etc	<ul style="list-style-type: none"> <li>• Originally operating in many highway authorities</li> <li>• Staff ‘know the system’</li> <li>• Contract rewriting not absolutely essential</li> <li>• Less need of sub contracting hence possible greater control of works and reporting.</li> <li>• Potential growth of local contractors</li> </ul>	<ul style="list-style-type: none"> <li>• Duplication of contract management for contractor and Client</li> <li>• Not immediately clear to third parties</li> <li>• Economy of scale not obtained</li> <li>• Client possibly not so important on small contracts and hence not getting best service.</li> <li>• Avoidance of OJEU if works value is less than</li> </ul>

	<b>Contract Option</b>	<b>Benefits</b>	<b>Risks</b>
			£3,927,260 <ul style="list-style-type: none"> <li>• More vulnerable to financial failure or buy out</li> <li>• Potential clash of contractors for overlapping services/schemes</li> </ul>
2	One Large Works Contract	<ul style="list-style-type: none"> <li>• More efficient contract management</li> <li>• Economy of scale</li> <li>• Single point of contact for works and contractor immediately known</li> <li>• Customers (public, Members etc) know the contractor</li> <li>• Client is important to the contractor</li> <li>• As operated by a number of highway authorities</li> <li>• Sufficient (local) resources for reallocation to emergencies such as winter maintenance</li> <li>• More able to cope with peaks in workload</li> <li>• Better planning of multi-disciplinary schemes.</li> </ul>	<ul style="list-style-type: none"> <li>• Some works may have to be subcontracted</li> <li>• All eggs in one basket, if contractor not performing / in difficulties</li> <li>• Longer lead in time as such bidding will have to be advertised in the OJEU (Official Journal of the European Union) as well as the new contract drafted.</li> </ul>
3	<ul style="list-style-type: none"> <li>• A combination of contract lots. Integrated highways maintenance, project delivery (works) and professional services</li> </ul>	<ul style="list-style-type: none"> <li>• Able to achieve value for money and most economical advantageous bid</li> <li>• Will represented market value</li> <li>• Allows for smaller focused specialist suppliers to compete</li> <li>• Client has one point of contact with contractor</li> <li>• Possible contract savings on client side</li> <li>• Considered to be reflective of market consolidation and conditions</li> <li>• Able to ensure Southwark access to market expertise and quality service delivery</li> <li>• Mitigation / minimisation of risk</li> </ul>	<ul style="list-style-type: none"> <li>• Skills requirement may be seen as too diverse</li> <li>• May lead to duplicated client arrangements</li> <li>• May need joint venture arrangements</li> <li>• May duplicate effort in co-ordination across service function.</li> </ul>

	<b>Contract Option</b>	<b>Benefits</b>	<b>Risks</b>
		<ul style="list-style-type: none"> <li>• Sufficient flexibility to allow all potential suppliers an opportunity to bid.</li> </ul>	
4	(vi) Private Finance Initiative (PFI)	<ul style="list-style-type: none"> <li>• Major risks transferred to PFI contractor</li> <li>• PFI credits (funding) available from Central Government</li> <li>• Improvements to conditions obtained in first few years of contract.</li> </ul>	<ul style="list-style-type: none"> <li>• Long lead in times (5+ years)</li> <li>• Locked into long term contract (25 years )</li> <li>• Changes may be costly</li> <li>• Major strategic shift and buy in needed from client</li> <li>• Difficult current financial climate.</li> </ul>
5	Geographical Split (e.g. North/South)	<ul style="list-style-type: none"> <li>• Delivers competitive edge since boundary can be adjusted dependant on performance</li> <li>• Allows easy price comparison through the same specification applies to both areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Confusing for 3<sup>rd</sup> parties on or near boundary</li> <li>• Works such as Winter Service would lack continuity</li> <li>• Impact of works such as scheme design could impact of other area.</li> <li>• Doubling up of officer staff time.</li> </ul>

