

## APPENDIX 1

<b>Item No.</b> 8.	<b>Classification:</b> Open	<b>Date:</b> 21 June 2011	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Capital Programme 2011–2021	
<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 SAFETY**

In these times of severe restraint on public funding it is important to maintain our capital investment in council services to ensure that we achieve value for money. We must remain mindful of the revenue implications of projects: whether they are invest-to-save opportunities or decisions that could increase on-going costs. Our programme is largely funded through the disposal of redundant assets, rather than borrowing (the council has little scope to do the latter given its debts from past years) and the report sets out the scale of the disposals to deliver this. Section 106 money, capital grants and the New Homes Bonus are also used to generate the necessary resources for the programme.

The previous executive considered a ten-year programme in February 2010. This needs to be updated with the changes in council priorities, but there have also been significant amendments that have been needed as the council has improved its capital budgetary processes. A considerable issue for the previous programme that needed resolution has been the frontloading of the programme in 2011/12 and 2012/13 that was neither affordable nor deliverable. The new programme still has a significant volume of activity in these years but in a manner that enables sufficient flexibility to ensure that these concerns are addressed.

The programme ensures that the council can build a new leisure centre at the Elephant and Castle whilst making further improvements at Camberwell and a new commitment to improve Seven Islands. It enables the council to implement its Free Healthy School Meals policy and to address the critical shortfall in burial space in the borough. Unlike the previous programme, it enables the Cleaner Greener Safer programme to continue for the entirety of the ten years covered. It establishes a fund to deliver an Olympics Legacy and provides the basis to make every council home Warm, Dry and Safe. In total, £69.4m of new capital schemes are included, as set out in appendix D.

The report also sets out the financing of the Children's Services capital programme and seeks approval for £2.5m for the creation of new places in our primary schools. The report notes the new £12.49m grant allocation for 2011/12 for new places and school building maintenance. The Southwark Schools for the Future programme continues and a report detailing its progress is on the same agenda.

## **RECOMMENDATIONS**

That Cabinet:

1. Agree the refreshed 10-year general fund capital programme 2011–2021, as detailed in appendices A and F for recommendation to Council Assembly in July.
2. Agree the Housing Investment Programme 2011–2016 as detailed in appendix B.
3. Agree the application of New Homes Bonus over the period to 2016/17 to finance the capital programme.
4. Agree the application of the LPSA Reward Grant to finance the capital programme.
5. Agree that the refreshed capital programme for 2012-22 be formally reported to Cabinet in February 2012 to ensure council priorities continue to be met and following announcement of the successful Olympic legacy bids.

## **BACKGROUND INFORMATION**

6. On 9 February 2010 the then Executive approved a refresh of the 10-year capital programme for 2009-19. The Executive approved a total programme for ten years of £538.1m for the general fund programme. A total programme for seven years of £592.5m was also agreed for the housing investment programme.

## **KEY ISSUES FOR CONSIDERATION**

### **General Fund Capital Spend**

7. The 2010/11 capital outturn report, also on this agenda, indicates that expenditure of £96.1m was incurred against the general fund capital programme and £70.5m against the housing investment programme in 2010/11. This expenditure has resulted in the completion of a number of projects including the refurbishment of the Dulwich and Camberwell leisure centres; the Southwark resource centre on the Aylesbury estate; Tuke special school and, Michael Faraday primary school. There has also been significant progress on the new library at Canada Water, Eveline Lowe primary school and major works to council housing stock.
8. The 2010/11 outturn position is 52% lower than the original in-year budget. There is a history of lower outturn position to in-year profiled budget allocation. In 2008/09 the outturn position was 16.4% lower than originally agreed budget and in 2009/10 it was 32% lower.
9. This outturn position now allows for a refresh of the programme in line with new and emerging priorities and more up to date information on existing projects and available resources. The major influences impacting on the refreshed programme include:
  - The report to Cabinet in November 2010 on the 2010 Spending Review stated that capital funding from all central government departments would fall

by 45%. A significant proportion of the Council's capital programme is funded by government grant, therefore there is a need to carefully review and monitor future grant allocations.

- An updated disposals programme including projected receipts from major project agreements such as Potters Field and Elephant and Castle.
- New sources of funding by way of the New Homes Bonus and a one-off allocation of Local Public Service Agreement Reward Grant.
- New priorities as agreed by Cabinet.
- New bids prepared by Strategic Directors in light of agreed service priorities.
- More current data to support the profiled spending on selected schemes.

### **Housing Investment Programme Spend**

10. The planned programme for the Housing Investment Programme was presented to Cabinet in May 2011. It showed a balanced programme with the principle aims of delivering warm, safe and dry homes across the borough and investing in the regeneration of estates, as well as the required landlord obligations.

### **Capital Resources**

11. General fund capital resources normally arise from six main sources:

- capital receipts from disposal of property,
- grants,
- external contributions,
- section 106 funding,
- contributions from revenue,
- and contributions from reserves.

A review of the capital resources projections for each of these has been undertaken to ensure the resources projections are up to date.

12. The capital programme is driven by limitations on resources available and the timing of those resources. Over the ten year life of the programme, the Finance Director requires that all commitments be met from estimated resources, while considering cash flow implications during that time. If in-year funding is insufficient to meet expected demands, alternative short term sources of funding may need to be made available or projects may need to be deferred or reprofiled as appropriate. Short term sources of funding include use of earmarked reserves and accelerating the disposals programme.
13. While the estimated spend of a project is programmed to be as realistic as possible, the complexity of capital projects are such that there is significant experience of slippage in schemes arising from contractual issues, planning, construction issues and unforeseen changes to service priorities. Consequently it is inevitable that on a capital programme of this magnitude there are likely to be significant variations in the profiling of expenditure, particularly in the early stages of a project.
14. The Southwark capital programme is funded by an especially large proportion of receipts from property disposals. Since 2009, the capital programme has attempted to forecast the receipts generated from future disposals for both the general fund and housing capital programmes over ten years. This allows for effective forward planning of the programme, as projects need to be initiated well in advance of the receipt of funds from disposals that will finance their delivery.

15. There are a number of issues that affect the value and timing of disposals, many of which are subject to complex legal agreements and planning agreements. These include market forces, demand and property condition. Therefore in later years there can be less certainty about the value of receipts anticipated for that year, although best attempts are made to produce a prudent estimate. The Head of Property Services has reviewed and updated the capital receipt projections shown in this report.
16. The 10-year forecast for receipts from disposals is £222m for funding the general fund programme. The 5-year forecast for receipts from disposals for funding the Housing Investment Programme is £142m.
17. In addition, there are other funding sources that are available to be utilised. In this capital refresh report; there are a number of significant items that are factored into resources available to support the new programme.

### **Section 106**

18. The council can enter into a Section 106 agreement, otherwise known as a 'planning obligation', with a developer where it is necessary to provide contributions to offset negative impacts caused by construction and development. Examples of contributions range from the provision of affordable homes and new open space to funding of school places or community facilities. The developer will either carry out these works themselves or make payments to the council for the works to be undertaken.
19. The existing capital programme contained £6.1m of identified schemes to be funded from S106 agreements to be used to fund existing projects. There are no changes in this commitment.
20. In addition the 2011-21 programme includes potential S106 resources of £12.6m. This is from unearmarked existing balances and new funds anticipated from future agreements. These new resources will wherever possible be concentrated on funding of the current programme.

### **New Homes Bonus**

21. In February 2011 government announced that the proposed New Homes Bonus (NHB) would be implemented from April 2011. It is intended to reward local authorities and communities where housing growth takes place. Government confirmed that the scheme will be paid for the following six years as an unringfenced grant.
22. The confirmed formula for allocation from government is to match the level of council tax paid on each new home for six years with an additional £350 for each affordable unit. As an 'unringfenced' grant, there would be no restriction on its use.
23. At their meeting on 25 January 2011 the Cabinet formally noted the potential NHB that Southwark may be awarded and committed £1.5m of this in the revenue budget from 2011/12.
24. The number of new homes built in Southwark is one of the largest in the country

and therefore this grant is significant. The grant is programmed to run until the end of 2016/17.

25. This report recommends that all estimated surplus NHB resources over and above that committed to the revenue budget be earmarked to the corporate resource pool to support the ten-year capital programme.
26. Based on current information and projections it has been estimated that the council will receive up to approximately £54.3m over a 6-year period as a result of the NHB. This estimate is based upon the use of the CLG toolkit applied to Southwark's own estimates of new homes to be built. The profile of this grant is shown in the table below.

<b>Six year calculation</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>Total</b>
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Total Grant	2,590	5,171	7,751	10,332	12,913	15,493	<b>54,250</b>
Revenue commitment	1,500	1,500	1,500	1,500	1,500	1,500	<b>9,000</b>
Total for capital funding	1,090	3,671	6,251	8,832	11,413	13,993	<b>45,250</b>
Split:							
General fund allocation	1,090	3,436	5,782	8,128	10,475	12,821	<b>41,732</b>
Housing allocation	0	235	469	704	938	1,173	<b>3,518</b>

27. It is anticipated that the NHB allocation will be reviewed as part of the next government spending review and any reduction in the allocation will need to be incorporated into a revised capital programme.

#### **Local Public Service Agreement (LPSA) Reward Grant**

28. Local Public Service Agreements (LPSAs) were first introduced in the 1998 Comprehensive Spending Review which set approximately 600 performance targets. Successful achievement of the second generation (2005-08) of these LPSAs would result in the award of a performance reward grant of up to £10m.
29. In June 2010, CLG wrote to local authorities to give details of reductions in various grants and funding streams. In September 2010 the council was informed that the reward grant would be reduced by 50%.
30. In March 2011 the council received £4.3m of LPSA reward grant. LPSA reward grant was not considered when setting the council's budget for 2010/11 and beyond due to the uncertainty around the grant. It therefore would not have been prudent to assume any level of grant until the government had confirmed specific allocations.
31. The reward grant allocation was due to be paid as 50% capital grant and 50% revenue grant. Upon receipt of the funds in March 2011, the council was informed that the allocation was now split 30% capital and 70% revenue. There is no restriction on how the grant is spent.
32. As this grant is a one-off allocation it cannot be used to fund on-going revenue activities as this would create a funding issue in future years. It is therefore considered appropriate to use the whole grant allocation for funding capital expenditure. The revenue element of the grant will fund the capital programme by way of a revenue contribution to capital.

33. As the reward grant was not ring-fenced, and given its non-recurring nature, it is appropriate to use it to contribute to funding the overall capital programme.

#### **Contributions from Earmarked Reserves**

34. Reserves are funds set aside from underspends or planned budget contributions, to meet contractual commitments or future expenditure plans, including meeting risks or liabilities that may arise at a later date. Two reserves which have been identified as funding elements of the capital programme are detailed below.
35. The modernisation reserve is for one-off expenditure and multi-year projects that are designed to modernise and improve service levels and operational efficiency of Southwark's activities. Schemes will include accommodation pressures and the Shared Services strategy, Local Service Delivery, Customer Service improvements, and Information Services strategy. The use of the reserve is subject to a protocol listing admissible items in accordance with the Council's Medium Term Resources Strategy.
36. The regeneration and development reserve is to fund one-off expenditure and multi-year projects to facilitate the significant regeneration and development taking place in the borough. Projects include the Elephant and Castle, Canada Water, Southwark Schools for the Future, and land acquisitions associated with these projects.

#### **Capital Programme by Service**

37. Appendix A shows the summary position of each department over the 10 years for the general fund programme and details the resources available in each year to fund forecast expenditure. Appendix F shows specific programmes and projects within the general fund programme in more detail for each department.

#### **Olympics Legacy**

38. A Southwark Olympics Legacy group was formed in November 2010 and is chaired by the Leader of the Council. The group is composed of external delegates from the local business community, the MP for Dulwich and West Norwood, Southwark Council cabinet members and senior council officers. The objective of the capital legacy group is to invest £2m 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.
39. On the 3 March 2011, the Olympic capital legacy fund was launched with press articles in the local newspapers, dedicated pages on the council website, direct mail to community councils, direct mail to sports clubs and associations, and direct mail to all councillors in the borough, to invite bids. The 40 unique applications received were judged on how well the proposals were considered to have met the criteria and the quality of the supporting information. Of these 17 applications were considered to be successful and are recommended to be invited to submit a second stage application with the final decision being taken in October 2011. Included within the applications through to stage 2 are: a bid for

refurbishment works for Camberwell Baths sports hall; the levelling and resurfacing of pitches and upgrading of changing rooms at Peckham Rye; and the modernisation of Southwark Park sports complex in Rotherhithe, with the aim of delivering a quality multi-sports facility that will cater for the needs of the local community and schools

40. This report recommends the approval of £2m of corporate resources to fund the successful Olympic Legacy projects to improve access to sport and physical activity within the borough.

### **Children's Services**

41. Children's Services brings together education, children's social care, youth offending services and specialist children's health services.
42. The majority of the children's services capital programme represents investment in schools, however, there is also a small youth services programme agreed in 2007 which allocated £2m to enhancing youth facilities across Southwark. The main schools' investment programmes are the primary capital programme and the 3 primaries programme, with smaller programmes for plant, fabric and modernisation works.
43. The majority of schools' investment programmes are funded by grants from central government, however there are also a variety of other funding sources including contributions from schools and section 106 funds, though these represent a small percentage of total funding. The 3 primaries programme is being funded almost entirely by corporate resources.
44. The most significant achievement in 2010/11 was the opening of the new Michael Faraday School, providing additional places in a dramatic new building, signalling the start of the regeneration of the Aylesbury Estate. New youth facilities at Belair park were completed in 2010/11 representing investment of just under £1m in the park.
45. Appendix E of this report details the children's services school's investment strategy for the coming year and details how £12.5m of central government grant for 2011/12 is proposed to be used. This includes a £500k allocation to upgrade kitchen facilities to enable delivery of free healthy school meals for all primary school pupils in council funded schools.
46. A further £2.5m is earmarked for providing new permanent places in the borough's primary schools, and £2.7m for improvements and modernisation works to existing primary schools. £500k is allocated for a challenge fund programme which includes £100k to help schools meet CO<sup>2</sup> emissions targets. In total the new ten-year programme represents £60.6m of investment in schools and youth facilities.

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

47. In May 2007 the then executive approved the Southwark Schools for the Future outline business case (OBC). This OBC outlined a programme of investment in Southwark's secondary school estate enabled by funding from partnerships for schools (PfS) of £179m. Southwark then entered into a strategic partnering agreement with 4 Futures and a local education partnership was established to

deliver the building schools for the future (BSF) programme. This partnership has since been rebranded as 4Futures.

48. Phase 1 includes Tuke Special School and St Michael's Catholic College. Phase 2 includes St Thomas the Apostle College, Sacred Heart, New School Aylesbury and Spa school. Phase 3 is still subject to ongoing negotiation.
49. The majority of the programme is funded by grant funding from central government with an additional £20m of corporate resources committed to the programme the use of which is agreed through further reports to Cabinet. The programme also includes 3 schools being developed under a 'design, build and operate' scheme which will be funded by future PFI credits and school contributions.
50. During 2010/11 the two sample schools commissioned for phase 1 in May 2009 were brought into service. Tuke special community school opened in September 2010. St Michael's voluntary aided school was completed and commenced a 25 year PFI operational period in January 2011.
51. The new ten year programme totalling £115.9m is subject to an update report on the same agenda as this report. It details phase 3 of the programme which is split into two parts – programmes to be committed in July and the remainder of the programme to be committed in Autumn 2011. The budget has been reduced by £6.76m as a result of a revised funding allocation for the projects following a review by PfS.

### **Health and Community Services**

52. The main focus of the health and community services capital programme is investment in the infrastructure necessary to support the delivery of services to improve the health and well being of local people.
53. The major component of the existing programme is the new Southwark Resource Centre being built within the new Aylesbury estate regeneration area, representing an investment of over £5m of corporate resources. The centre is due to open in autumn 2011 and is due to be completed under budget.
54. 2010/11 has seen the completion of work at Cherry Garden Street on the refurbishment of the offices for use as a resource centre for people with learning disabilities which was opened in September 2010. This building accommodates staff and clients from the Grange and Evelyn Coyle day centre.
55. There is a new Department of Health capital grant for 2011/12 and 2012/13. The "Adult PSS capital allocations" is allocated using the adult social care relative needs formula. The grant is earmarked for enabling continued capital investment to support delivery of adult social care services and for developing community capacity. The priorities of this funding are;
  - Innovative alternatives to residential care such as supported housing and living (for younger adults) and extra care housing (for older people) which can help people live in the most appropriate accommodation via a range of housing options for differing levels of need and lifestyle.
  - Alternatives to residential care via community based services investment, specifically capital investment making full use of telecare in a continued support

- package.
- Redesigning infrastructure - providing a better first point of contact that can give information and advice on all services available. Assessment and care management is redesigned so that contact time with users is maximised. All processes need to be proportionate to levels of risk and need. Also, to provide existing services and new services that are designed to provide choice and work in partnership with all stakeholders.

## **Environment**

56. The Environment capital programme manages investment in the following areas; culture, libraries, learning and leisure; public realm; community safety and waste management.
57. The programme includes investment in non-principal roads of £43.5m and £5.2m in street lighting. Other areas of public realm receiving investment include parks, libraries and the borough's leisure centres which have benefitted from council investment of £12.3m, in addition to external funding sources which have enabled major refurbishment works at Dulwich, Camberwell and Surrey Docks.
58. The programme also includes an annual investment for community council's to allocate funds to projects with the aim of making the borough cleaner, greener and safer. Investment is also being made in developing new waste facilities at Old Kent Road and initiatives for large scale, long term, low or zero carbon energy provision, with secure supply and stabilised energy prices for a significant number of our council tenants and leaseholders.
59. The majority of the programme is funded from corporate resources with a small amount of section 106 funds being utilised. In March 2009, it was announced that Burgess Park had won £2m from the Mayor of London under the 'Help a London Park' programme. The park also received funding of a further £4 million from the Aylesbury New Deal for Communities, now Creation Trust.
60. 2010/11 saw the completion of phase 1 of improvements to both Dulwich leisure centre and Camberwell baths, with finals works due to be finalised in summer 2011. This new 10-year capital programme includes an additional £521k contribution to the final phase of works at Camberwell baths. The refurbishment works to the Thomas Carlton centre were completed and handed over on 7 March 2011.
61. The original cleaner greener safer allocation was programmed until 2015/16. This allocation has been increased and now covers the full ten year programme. Investment in road surfacing and maintenance and street lighting was also only programmed until 2015/16. The new programme now profiles investment across all ten years. This includes an additional £20m of corporate resources being allocated to road maintenance to maintain the annual allocation for the life of the programme.
62. The programme includes £600k for reinstatement of the pavilion at Pynners playing fields. There is also an allocation for works at Kingswood House which may be brought further forward within the programme following a review of the facility currently being undertaken. A further £100k has been allocated for the Peckham Rye one o'clock club. This is in addition to existing funds identified for the scheme including a cleaner, greener, safer commitment. Further projects

currently being evaluated include renewal works at Greendale sports ground, and investment for Grove Vale library. These will be considered at the next capital programme review in February 2012 when appraisal works have been completed.

63. The new 10-year programme totals investment of £118.8m which includes the addition of a new leisure centre at Elephant and Castle, the complete refurbishment of Seven Islands leisure centre, new burial provision, upgraded CCTV and the creation of an Olympics' legacy.

### **Finance and Resources**

64. The finance and resources capital programme focuses on two key areas: information and communication technology infrastructure projects to support and enable business initiatives; and premises related works including major improvements to Council buildings along with a programme for essential works to council properties to enable them to comply with the disability discrimination act (DDA).
65. The main components of the programme include: the project to move the information services data centre; projects to keep IT infrastructure and software up to date and fit for purpose; the property works programme, including installing fuel efficient heating systems and external fabric works; and the DDA programme.
66. The finance and resources capital programme is funded entirely from corporate resources including capital receipts and earmarked reserves.
67. In addition, £2.6m has been earmarked from the modernisation fund for essential upgrade works to the Carefirst computer system. This is the core management system used by both Health and Community Services and Children's Services. It enables a single record of care to be shared and updated securely by different care workers within the organisation. This new investment will be controlled by the Finance Director in support of the Strategic Directors of Health and Community Services and Children's Services to ensure a high quality and fit for purpose social care information system that supports social work teams in their activities.
68. The new ten year programme for Finance and Resources totals £11.1m and includes a sum to increase the capital contingency allocation from £2.7m to £5m in line with the target set in the medium term resource strategy. This modest contingency represents just 1.4% of the capital programme and mitigates some of the risks from such a significant and largely self funded capital programme.

### **Regeneration and Neighbourhoods**

69. The main focus of Regeneration and Neighbourhood department is to lead the corporate agenda of transforming the borough, making it a better place to live, work and visit. This is achieved through the implementation and delivery of various physical and social regeneration programmes.
70. The programme is split into three main areas; economic development and strategic partnerships (ED&SP); planning and transport; and property services. The New Deal for Communities section came to an end in 2009/10 with a small

residual sum being spent in 2010/11 to finalise the scheme.

71. The majority of the ED&SP section is funded from section 106 funds and a small portion of external grant. The one exception is the improvements to local retail environments programme (ILRE) which is majority funded from corporate resources and which represents an investment of over £4m by the council into local shopping areas. The majority of the planning and transport projects are funded from external grant from Transport for London, and the majority of the property services projects are funded from council resources.
72. During 2010/11 the ILRE programme saw the project at Great Suffolk Street completed and those at Herne Hill and the Blue close to completion. The programme continues into 2011/12. Other ED&SP project completed during 2010/11 financial year include the Arc Nursery, the Clink Street tunnel lighting, Dodson and Amigo estate improvements. Planning and transport projects successfully completed this year include the opening of the £1.7m Salisbury Row, streets for people scheme launched by the Transport Commissioner on 26 November 2010. This scheme won the 2011 London transport award for 'excellence in walking & public realm'.
73. Property Services' projects include the new library at Canada Water; the new office accommodation strategy; a new community centre in Nunhead and support for a new voluntary sector infrastructure strategy.
74. During 2010/11 Cabinet agreed to halt the capital works to 19 Spa Road and to divert the funds into a new office accommodation strategy agreed in November 2010. The programme of office rationalisation aims to ensure fit for purpose, accessible, affordable and sustainable accommodation for all staff and customers, reducing financial, reputational and human resources risks to the council and to free up as strategic regeneration sites and for disposal with the receipts available to support capital priorities.
75. The new ten year programme totals investment of £27.5m which is funded from a variety of funding sources including S106 funds, external grant from TfL and corporate resources.

### **Housing General Fund**

76. The housing general fund capital programme represents investment in housing in the borough which is not directly focused on council properties and includes travellers' sites and affordable housing fund contributions. This includes housing renewal which allows assistance to a wider section of the community, subject to financial status, than existing council aid provision solely for the over 65s and individuals with medical needs.
77. The main elements of the programme include: the East Peckham and Nunhead housing renewal programme, as agreed by Cabinet in January 2011; the group repair scheme which replaces energy inefficient components, provides insulation and is working to retrofit for the future "green" energy products, contributing to CO2 emission targets; the affordable housing fund which supports new build social housing by registered providers; and work to a number of travellers' sites within the borough.
78. The housing renewal programme is mainly funded from corporate resources but

also attracts external funding from the GLA. Southwark was successful in getting one of 10 low carbon zones within the London area which has levered in additional funding from the GLA, supplemented £420k external income for Solar Hot Water and allowed the Council to negotiate private sector funding from British Gas in the region of £2m. The affordable housing fund is funded solely from section 106 contributions from private developers.

79. In 2010/11 the travellers site scheme at Burnhill Close was close to completion and all payments due from the affordable housing fund for the scheme in progress at Canada Water have now been paid
80. The new ten year programme totals £13.6m of which £10m is funded from corporate resources with the balance coming from section 106 funds and external grants.

### **Housing Investment Programme**

81. The Housing Investment Programme and Revised Strategy report to cabinet on 31 May 2011 provided detail of the housing investment programme (HIP), the resources available and how these would be used to provide warm, dry and safe homes across the borough.
82. The report described the programme which delivers investment in the Council's own housing stock, both directly through works to dwellings and estates, and through housing related regeneration projects. Expenditure consists of both capital and revenue associated with non-capital works such as external decorations, which may be carried out together with capital projects to maximise value for money. The figures in appendix B include £36m of revenue expenditure, giving a net capital programme of £416m over 2011-16.
83. The HIP is funded from a number of different sources. The main source is the Major Repairs Allowance (MRA) from central government at some £39m per year, representing 45% of overall resources for the 5-year programme. Other revenue funding for the HIP includes reserves earmarked for specific purposes (such as the Aylesbury regeneration scheme), and income from leaseholder contributions towards the cost of works carried out. With the supported borrowing approval from central government ending in 2010/11, the availability of capital receipts linked to the HIP is of increased importance, providing approximately 35% of resources. Other funding is received in the form of grant for specific projects or purposes, such as the new build council homes currently under construction, and ongoing energy efficiency improvements.
84. The focus of the programme in recent years has been towards meeting decent homes targets, but in common with the general fund programme, market factors have made both the level and timing of receipts less predictable. This led to a significant re-profiling of the current two year programme, with a consequent reduced outturn against forecast. In spite of this the target of 1,700 dwellings to be made decent in 2010/11 was exceeded with a total of 1,956 achieved.
85. For the 2011-2016 programme, the emphasis has shifted towards making all homes warm dry and safe, through both internal and external works, which objective receives the majority of resources. Within this category there is a significant allocation for fire safety works, for which a corporate funding contribution is included in the programme. Other elements of the programme

cover essential activity to enable Southwark to meet its obligations as a landlord, and housing contributions to wider regeneration programmes such as Heygate and Aylesbury.

86. The overall value of the 5-year housing investment capital programme is estimated at £416m. Possibilities to increase resources for the programme are being explored, including increasing the level of disposals, S106 developer contributions, and the recent bid for government decent homes backlog funding. While the outcome of this bid was disappointing, and clarification is needed as to how funding would be made available, any increase in resources above current assumptions will be used to bring forward the planned programme in line with its existing priorities.

### **Overall Summary of Refreshed Capital Programme**

87. A review of the capital programme by the Audit Commission, which reported in March 2011, highlighted profiling issues and recommended that a balanced programme be agreed on a year on year basis.
88. The overall 10-year programme shows a favourable variance between resources and forecast expenditure of £63.8m. This variance allows for the future inclusion of projects which are key priorities, service critical or ease the pressure on revenue budgets.
89. The 2011/12 programme shows a potential funding shortfall of £12m. Given the scale and complexity of the programme there is likely to be significant variation in the profile of the spend. The risk of presenting what appears to be a balanced programme in any one year is that fewer projects will be commissioned and commence. Should any of these then be delayed by unforeseen circumstances, there will be available resources in that year, which could not be quickly redirected to other projects. Whilst planning for reprofiling and natural slippage is not desirable, given a programme of this size it is reasonable to anticipate that at least some parts of some projects will be delayed in year.
90. The programme will be closely monitored in-year, to ensure that the resources available are sufficient to meet all in-year planned expenditure, with quarterly monitor reports being presented to Cabinet. Should all the projects planned for this year be on track to be successfully delivered then the actions detailed in paragraph 112 to call on short term funding options would need to be invoked to ensure a balanced position between resources and spend at year end. The authority also has the option of considering prudential borrowing to fund capital schemes, however, this is not currently considered to be a necessary form of funding and would require approval from Council Assembly in advance.
91. The Constitution requests an update of the capital programme at least once every 4 years. Given the size of the current programme and the potential volatility of funding sources, the programme is formally reported to Cabinet quarterly. This report recommends that this programme is updated again in February 2012 to ensure it remains a ten-year capital programme and to address council priorities which have not been successful through the Olympics legacy scheme.

## **Community impact statement**

92. This report addresses expenditure on capital projects within the council. The projected expenditure reflects plans designed to have an impact on local people and communities, which will be considered at the time the services and programmes are agreed. It is important that resources are efficiently and effectively utilised to support the council's policies and objectives.
93. Each project within the council's capital programme will be considered in respect of its impact on age, disability, faith/religion, gender, race and ethnicity and sexual orientation.
94. The council's capital programme is designed to deliver projects of value to local people.

## **Resource implications**

95. This report forms part of the council's budget framework. It identifies potential projects for inclusion in the capital programme and the resources available for that programme.
96. The delivery of the projects included within the programme will be identified on a project by project basis, and will generally be within the current staffing of the council.

## **Legal implications**

97. The legal implications of this report are identified in the concurrent report of the Strategic Director of Communities, Law & Governance shown below.

## **Financial implications**

98. This report fully explores the financial implications of the capital programme update. The report presents a capital programme over 10 years where predicted resources are sufficient to meet anticipated spend.

## **Consultation**

99. Consultation on the overall programme has not taken place. However, each of the individual projects are subject to such consultation as is required or desirable when drawing up the schemes. Some of these will be more extensive than others, for example projects with an impact on the public realm. Some projects, such as those funded by grant or s106 may require consultation with those providing funding.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

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

100. Under the constitution the cabinet are responsible for the Council's capital programme, ensuring effective financial control and the achievement of value for money, within the provisions of financial standing orders.
101. The Council has a duty to maintain a balanced budget and, accordingly,

members are required to regularly monitor the Council's financial position throughout the year. Section 28 of the Local Government Act 2003 imposes a duty on the Council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in the original budget calculations. The Council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.

102. The Capital Programme 2011/12 to 2020/21 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.
103. 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

Background Papers	Held At	Contact
Capital Programme Monitoring and Report and Refresh - 10 Year Capital Programme	Finance & Resources 160 Tooley Street, London SE1 2QH	Cathy Doran 020 7525 4396
Capital Monitoring report – Q1	Finance & Resources 160 Tooley Street	Cathy Doran 020 7525 4396
Capital Monitoring report – Q2	Finance & Resources 160 Tooley Street	Cathy Doran 020 7525 4396
Capital Monitoring report – Q3	Finance & Resources 160 Tooley Street	Cathy Doran 020 7525 4396

## APPENDICES

No.	Title
Appendix A	General Fund Capital Programme 2011–2021
Appendix B	Housing Investment Programme 2011–2016
Appendix C	Changes to the Existing General Fund Capital Programme
Appendix D	New Capital Schemes for Approval
Appendix E	Children's Services Capital Programme Update
Appendix F	Detailed General Fund Capital Programme 2011-2021

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Finance, Resources and Community Safety	
<b>Lead Officer</b>	Duncan Whitfield, Finance Director	
<b>Report Authors</b>	Cathy Doran, Head of Financial Monitoring, Budgets and Programming and Sue Emmons, Senior Financial Strategy Accountant (Capital)	
<b>Version</b>	Final	
<b>Dated</b>	9 June 2011	
<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	No concurrent required
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional/Community Council/Scrutiny Team</b>	10 June 2011	