Item No. 11.	Classification: Open	Date: 12 February 2013	Meeting Name: Cabinet
Report title:		Quarterly Capital Monitoring Report Quarter 3	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

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

This report sets out the projected expenditure of the council on its capital programme for the current year and asks the Cabinet to agree the funded variations set out in Appendix C.

Whilst the general fund capital budget for the current year was established on the basis that programme slippage was probable, further work is needed to ensure that delivery is timely. The figures suggest a significant improvement since quarter 2, but this is in part because of the new inclusion of the purchase of 160 Tooley Street within the totals.

As the report shows, most of the slippage to date is within children's services and the Southwark Schools for the Future programme, principally as a consequence of delays in work on primary schools. Another cause has been that anticipated expenditure on a number of projects will be less than the budgets set for them, demonstrating that the council is working hard to deliver value for money.

On the anticipated expenditure on the Housing Improvement Programme, the gap with the budget is smaller as a result of Housing Department proactively ensuring that programme delays are offset by bringing other future programmes forward. The slippage of £10.9m will be picked up in 2013/14 to ensure that the Warm, Dry and Safe commitment is delivered in a timely fashion.

RECOMMENDATIONS

That cabinet:

1. Note the general fund capital programme 2012/13–2021/22 as at Quarter 3 2012/13, as detailed in Appendix A and D.

2. Note the housing investment programme 2012/13–2021/22 at Quarter 3 2012/13 as detailed in Appendix B.

3. Agree the virements and funded variations for Quarter 3 2012/13 as detailed in Appendix C.

BACKGROUND INFORMATION

4. On 25 September 2012 the cabinet approved a refresh of the 10 year capital programme for the period 2012/13 – 2021/22, approving a total general fund programme of £387.2m, including £59.8m of new departmental bids and noting the Housing Investment Programme forecast of £398m.

5. In addition to the other recommendations at Quarter 2, the capital monitor report at Quarter 2 also instructed strategic directors to work with project managers and finance colleagues to ensure that forecasts for project activity are as robust as possible for each department moving toward the year end financial position for 2012/13.

6. On 11 December 2012, the cabinet approved the acquisition of the freehold interest of the council building at 160 Tooley Street and this is reflected in the budget variation in Appendix C.

KEY ISSUES FOR CONSIDERATION

General fund capital spend

7. The Quarter 2 2012/13 capital monitoring report indicated that expenditure of £36.4m had been incurred on the general fund capital programme against a budget of £138.7m for the year. This represents spend of 26.2% to budget and just over a quarter of the overall budget for the year at that point. The Quarter 2 report also projected an underspend of £32.5m, at that point, against the budget of £138.7m for the year.

8. The Q3 monitoring report indicates expenditure of £237.4m incurred at the end of Q3 against a budget of £318.5m showing a 74.5% spend against budget at that point. However, the Q3 position includes the budget for the acquisition of the freehold interest of 160 Tooley Street approved by cabinet on 11th December 2012. The full expenditure relating to this budget was incurred by the council in December 2012, following cabinet approval of 11 December 2012. Therefore, in order to avoid distortions in the analysis, this needs to be taken into account when reviewing the spend profile of capital schemes against budgets for the year. The revised analysis excluding the budget and spend figure for 160 Tooley Street indicates spend of 42.1% against budgets at Q3.

9. A forecast outturn of £277.4m, with positive variance of £41m has been predicted to the end of the financial year. This represents a forecast spend of 87% against budgets or 70.6% when excluding the budgets and spend figures for 160 Tooley Street.

10. The significant increase of £179.8m in budgets since Q2 relates primarily to the acquisition of the Council building at 160 Tooley St. Other budget increases include increases in 2012/13 DfE grant of £1.1m and £500k grant allocation on environmental works.

Housing Investment Programme spend

11. Although reporting quarterly and annually at the same time as the General Fund, the Housing Investment Programme was presented to cabinet in October 2011. It showed the principal aims of delivering warm, dry and safe homes across the borough and investing in the regeneration of estates, as well as the required landlord obligations.

12. The monitoring position for Q2 2012/13 on the programme indicated spend to date of £25.3m against a budget of £89.3m for the year, reflecting spend of 28.3% against budget.

13. At Q3 2012/13, the monitoring position indicates spend to date of £45.9m representing spend of 49.6% against the total budget for the year.

14. The monitor is also projecting a forecast spend of £81.6m with a positive variance of £10.8m for the year, representing spend of 88.2% against the total budget of £92.5m for the year.

Capital resources

15. The council is able to access a number of resources to fund capital expenditure which have been set out below:

- capital receipts from disposal of property
- grants
- external contributions
- section 106 funding
- housing major repairs allowance
- contributions from revenue
- contributions from reserves
- internal borrowing
- external borrowing

16. The decision to acquire the freehold interest in 160 Tooley Street in December 2012 has been financed through "internal borrowing". Internal borrowing uses cash currently in hand to defer or avoid taking on new external debt. Cash in hand arises from the funds set aside as the council's reserves and balances, and ordinarily these funds are invested until such time as the reserves and balances are required to be used. The projected cash balances at the year end of 31 March 2013 were sufficient to acquire 160 Tooley St, meet all spending plans and also maintain operational cashflow liquidity without the need for external

borrowing. The council's cash balances will be monitored very closely against the need for any external borrowing into the future. Full details of the business case and the financial implications are included in the cabinet report of 11 December 2012.

17. The capital programme is influenced by resource timing and availability. Over the life of the programme all commitments must be met from anticipated resources. The final funding requirement will be based on the final actual expenditure, and will seek to maximise the use of grants and other funding sources, prior to the use of capital receipts. Based on the experience of brought forward and receipts to date, and with best estimates of further receipts, there is a possibility of a shortfall in receipts in the general fund capital programme. However this is more than matched by receipts which are surplus to this year's anticipated requirements in the housing investment programme. If this is still the position at the end of the year, there is scope to fund any gap by reallocating receipts on a short term basis. Therefore, this report does not show any variance on the financing for 2012/13. Regular monitoring and formal reporting regulates the programme and mitigates cash flow and funding risks and officers undertake regular reviews as part of the process for preparing monthly and quarterly monitors to assess income to date, forecasts and changes.

18. Each department forecasts its programme as accurately as possible to minimise the need for re-profiling. Where this does occur, the requirement is flagged as early as possible. Given the general complexity of capital projects, it is common to see some variation in the profile of the actual programme against the forecast. The impact of this is mitigated through regular formal monitoring, departmental reviews and access to a resource base wide enough to cope with change.

19. In developing and managing its capital programme the council has to maintain clear control on the selection and use of resources to finance capital expenditure. Strategies for investments, borrowing and treasury management facilitate this control and assist the council to have clear strategic direction on its use of resources, to identify new resources or to make changes to the use of resources at an organisational level as projects complete or new projects appear.

Section 106 and Community Infrastructure Levy (CIL)

20. The council can enter into a Section 106 (S106) agreement, otherwise known as a planning obligation, with a developer where it is necessary to provide contributions to offset the deemed negative impacts caused by construction and development. Contribution requirements can take several forms and range from provision of affordable homes and new open space to funding of school places or community facilities. Depending on the agreement, developers may deliver works directly or choose to make payments to the council to undertake work.

21. Use of S106 funding has been forecast in the programme, which is provided through existing balances and new funds anticipated from future agreements. Some changes to the use of S106 planning obligations are anticipated resulting from the adoption of the Community Infrastructure Levy (CIL) regime and the council is proposing to update its S106 planning obligations statutory planning document to the same timescale as development and adoption of the CIL.

22. The CIL is a levy which local authorities can choose to charge on new developments occurring in their area, with the funds raised being used to deliver infrastructure required by the council, local community and neighbourhoods. Use of the levy as a potential funding source for capital schemes was outlined in a report considered by cabinet on 17 July 2012.

23. A preliminary draft charging schedule was developed for this report and the council is undertaking consultation on this as the year progresses. The capital programme will be subject to future refresh and pending finalisation of the charging schedule for CIL this may be used to support appropriate schemes.

New Homes Bonus

24. The New Homes Bonus (NHB) is intended to reward local authorities and communities where growth in housing stock occurs. The allocation formula matches the level of council tax paid on each new home for six years, with an additional £350 per affordable unit. The grant is not ring-fenced so no restrictions apply to its use.

25. Payments for NHB amounted to £2.5m in 2011/12, of which £1.5m was allocated to fund revenue expenditure, with the balance earmarked to fund capital expenditure. This was in accordance with a cabinet decision of 21 June 2011 that all NHB resources not committed to the revenue budget should be allocated to corporate resources to fund future capital expenditure.

26. The same level of revenue commitment was at that time assumed in forecasts for future years to 2016/17 and the balance allocated to capital. This resulted in totals of £9.0m, £41.7m and £3.6m being forecast to fund revenue, capital general fund and capital housing expenditure respectively.

27. There are changes expected in the financing arrangement for the New Bonus Scheme in 2013/14 and this will be reviewed as part of the 2013/14 and future revenue budget setting process.

Contributions from earmarked reserves

28. Reserves are funds set aside from under spends or planned budget contributions, to meet contractual commitments or future expenditure plans which may include risks or liabilities that arising at a later date. Three reserves which have relevance for funding the capital programme are outlined below.

29. The modernisation reserve supports one-off expenditure or multi-year projects designed to modernise and further improve the operational efficiency of Southwark's service provision. The use of the reserve is subject to a protocol listing admissible items in accordance with the council's Medium Term Resources Strategy.

30. The regeneration and development reserve funds one-off expenditure and multi-year projects delivering regeneration and development across the borough. Relevant projects include the Aylesbury Estate Regeneration, Canada Water, and Elephant & Castle Regeneration.

31. In 2011/12 the council established a compliance and planned preventative

maintenance reserve which may be used to support activities upgrading the wider council estate in line with legislative and/or preventative maintenance requirements. The reserve could for example be used to support the implementation of a maintenance programme in specific parts of the council's operational estate. Use of the reserve would need to be requested through appropriate approval channels, such as via cabinet, and it is likely that works would be programmed over more than one year, or relate to more than one site.

Capital receipts

32. The council operates a ten-year disposals programme. Planned disposals generate capital receipts which the council can use as a funding source to finance capital expenditure.

33. Capital receipts are categorised as Housing or General Fund depending on the nature of the asset giving rise to the receipt. Certain receipts arising from right to buy sales are also generated within the housing disposals programme and are subject to pooling arrangements with government, so that the council can repay housing debt.

34. The annual receipts forecast to 2021/22 is between £30 - £40m per annum generated by disposals from both general fund and housing. The new capital bids in the refreshed programme presented an anticipated additional call of around £45m on capital receipts, to be funded over the life of the programme.

35. In the event that in-year funding generated by disposals is insufficient to meet the level of expenditure alternative short term sources of funding may need to be accessed or projects deferred or re-profiled. Short term sources of funding include use of earmarked reserves and/or accelerating the disposals programme.

Capital grants

36. The council uses a range of capital grants to fund capital expenditure. These grants tend to be programme or project specific since each has grant requirements of some form and the largest areas of grant use often correspond to the largest and most complex projects. The Southwark Schools for the Future (SSF) programme has the highest grant use on a single scheme with around £82m of grant funding over the remainder of the capital programme.

37. Grants may be provided as a sole funding source, or as one of several funding sources depending on project requirements. In each case grant funding conditions of some form should be met to demonstrate that grants have been applied for the purposes given and audit trails are maintained.

Resourcing to Quarter 3 2012/13

38. As at the end of Quarter 3 2012/13 £27.5m had been received from Housing receipts and 2.7m on General Fund receipts

39. At the end of Quarter 3 2012/13, £38.4m grant had been received including £27.6m of education use grants and £9.8m secured through S106 agreements.

40. Much of the council's capital programme is supported by its disposals of property which form a significant part of corporate resources over the life of the programme. At Q3 2012/13 the budgeted positions on the general fund and housing investment programmes were £16.9m and £45m respectively. The disposals programme is subject to ongoing review by officers to mitigate the risk of funding unavailability due to timings or amounts received in year. Where pressure arises alternative short term sources of funding will be sought using the range outlined above.

41. The above resources will be monitored and applied as appropriate to schemes in 2012/13.

Programme position at Quarter 3 2012/13

42. Attached at Appendix A is a summary of the general fund programme position as at Quarter 3 of 2012/13. This shows a total expenditure budget of £578m budgeted over the programme.

43. Attached at Appendix B is a summary of the housing investment programme position as at Quarter 3 of 2012/13. This shows a total expenditure budget of £402.7m over the programme.

44. Appendix C shows the budget virements and variations arising in quarter 3 of 2012/13.

45. Appendix D shows a more detailed view of the general fund programme to enable spend and forecast on individual projects or groups of projects to be seen.

46. This programme position will continue to be monitored and reviewed over the remainder of the financial year and the final outturn position will be reported to cabinet.

Departmental updates

Children's services

47. The revised capital programme at Quarter 3 2012/13 is increased from £80m at Quarter 2 to £81.2m. The increase is for 2012/13 DfE grant for early education for two-year-olds announced in November 2012. The forecast outturn at Quarter 3 is £9.7m which is reduced by £1.2m from Quarter 2.

48. The two main changes from the quarter two forecast are for £600k each being reprofiled from 2012/13 to 2013/14 for Southwark Park Primary School and Lyndhurst Primary school.

49. For Southwark Park Primary school the contract award was originally programmed for autumn 2012. However, the earliest this will occur is now in February 2013. Should contract award not be achieved by the end of March 2013 then a further £1.5m expenditure will be reprofiled for future years. The contract award for Lyndhurst Primary School has similarly been put back to the summer of 2013.

50. There continues to be pressure for primary school places in Southwark. Following the provision of 300 temporary places in September 2012, a further programme of over 200 temporary places for September 2013 has been agreed. This totals £2.5m and includes £2m of existing resources delegated from cabinet on 20 November 2012 and the remainder from existing delegated resources for temporary expansion. The permanent expansions at Haymerle and St Anthony's for new places in 2013 are progressing.

51. Following an announcement by the DfE the 2013/14 allocation of funding for basic needs grant (for expansion) and maintenance grant (for planned renewal works) was deferred to the end of January 2013. Once the available external resources becomes known then a programme of additional permanent places which has been informed by capacity surveys of all primary schools can be progressed with more certainty.

Southwark Schools for the Future

52. The SSF Quarter 2 forecast for 2012/13 was £39.8m. This has been reduced £39.3m for Quarter 3.

53. The main reason for the reduced forecast is that £600k ICT expenditure for Sacred Heart and New School Aylesbury has been put back to 2014 from the current year. This is so that both schools will benefit from refreshed ICT when Sacred Heart vacate the New School Aylesbury site for their new PFI premises. A further £100k potential VAT liability on ICT equipment for voluntary aided schools has been reprofiled to 2013/14.

54. This has been offset by agreed settlements for council retained risks for asbestos at St Michaels and St Thomas the Apostle College of £200k.

55. The final phase two for the PFI school at St Thomas the Apostle College completed in November 2012.

56. In December 2012 the phase 3c for SILS KS3/4 contract was awarded for construction start in the Spring 2014.

Adult social care

57. The main focus of the Adult Social Care (formerly 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. A summary of the activity in 2012/13 thus far is given in the following paragraphs.

58. In 2012/13, Southwark Resource Centre has an agreed budget of £358k and is forecast to cover a 5% contract retention fee, some post completion works and equipment costs. The project is currently forecast to show a final under spend of £73k.

59. The agreed budget for Department of Health Capital Grant ("adult personal social services capital allocation") for 2012/13 is £1.620m. This includes a carried forward balance of £780k from prior years. The grant is earmarked for various day services projects including major refurbishment works. The

programme is currently forecast to under spend by £980k, which will be reprofiled into the 2013/14 financial year due to delays in commissioning planned capital works on various projects e.g. day centres .

60. There is a rolled forward residue from 2011/12 single capital pot mental health grant of £19k. This is being forecast to be fully utilised in 2012/13.

61. All other projects in the current programme have successfully been completed.

62. A capital budget of £7m was agreed in the autumn capital refresh to meet costs associated with the transformation of adult care accommodation which will be funded through a combination of corporate resources and revenue.

63. A capital budget of £1.2m addressing capital maintenance issues on care homes currently operated by Odyssey Care was also approved and it is anticipated that this will be funded using £800k of corporate resources and the remaining £400k from external grant sourced by the department.

64. A capital budget of £2m for a centre of excellence in the borough aiming to provide specialist care and support for older residents with dementia was approved by cabinet and it is expected that this will be funded from reserves and revenue.

65. The total capital budgets for the department, including the above budgets approved as part of the capital refresh process in the autumn of 2012, now stands at £12.1m to 2021/22, with an allocation of £1.9m for 2012/13, and the balances re-profiled to subsequent financial years. It is anticipated that the 2012/13 budget will under spend by £1m reflecting the final position expected on the Southwark Resource Centre project and the re-profiled or rolled forward major modernisation works on various adult day centres.

Environment and leisure

66. Environment and leisure department's latest approved capital budget for 2012/13 is £23.6m against the projected spends of £19.8m, giving an overall favourable variance of £3.8m to be carried forward into 2013/14.

67. Total approved E&L capital programme and projected spend for 10 years from 2012/13-2021/22 is £104m.

Sustainable services

68. The Integrated Waste Management facility and its associated works (site remediation, access road etc) are now complete. Issues remaining to be resolved and for which the council has responsibility are planning related costs which may be payable to planning and highway authorities (LBS and TfL). Most of these items are conditional on the results of a number of road traffic surveys.

69. In respect of the Southwark Heat Network from South East London Combined Heat and Power (SELCHP) project, there has been a substantial amount of progress and the contract should be signed in February 2013 and plans continue to be for the heat network to be fully operational in late 2013.

Public realm

70. The Non Principal Road (NPR) Programme is forecast to achieve a full spend.

71. There is a need for urgent bridge strengthening and retaining wall works to be undertaken in 2012/13. The Division has bid for and received a grant allocation of £509k from London Bridges Engineering Group (LoBEG) for the year 2013/14. It is proposed to fund the urgent works from the 2012/13 NPR allocation with a balancing payment of £509k back into the 2013/14 allocation.

72. Cleaner Greener Safer (CGS) forecast end of year spend is reduced to £2.6m compared to previous projection of £3m. This is due to: a number of projects being delivered under budget; delays in the receipt of some external grants and; delays in delivery of grant funded projects.

73. The Southbank Accessibility project was successfully brought in significantly under budget generating savings of £303k. This project was funded by external grant from GLA and the budget will now be reduced to reflect project completion. Officers are in discussion with the GLA to agree any additional works outside original project scope which may be funded from the underspend.

74. The Connect 2 project will conclude in the last quarter of 2012/13. This is the successful culmination of a project that has been planned for many years and the council has worked successfully with Sustrans, BIG lottery and local community groups to deliver this significant transport and regeneration project, the centrepiece of which is a new pedestrian and cycle bridge across Rotherhithe New Road improving access to South Bermondsey station, which replaces a redundant railway bridge that had been derelict for many years.

75. The street lighting capital works for 20122013/13 will be fully achieved resulting in the replacement of 210 columns which had failed the structural testing programme. This year's programme is the first year where an independent connection provider has been used leading to much reduced programming time and highway occupancy coupled with savings of over 20% in connection costs

76. Phase 1 of the long awaited Burgess Park Revitalisation project was completed in July 2012. With an initial budget of £6m secured through the Mayor of London's Priority Parks Programme (£2m) and the Aylesbury NDC (£4m) the project aimed to achieve a number of key objectives: landscaping; new entrances and pathways; increased biodiversity; a new play area for over 5s; and new trees. The project has been a resounding success with positive feedback from stakeholders, the wider community and increased usage. The remaining funds in this phase are reprofiled to spend in 2013/14 and represent the retention payments on the project due next year and the £200k allocated for the borehole. Options for the borehole are being considered in discussion with the Environment Agency.

77. The work does not stop here with future phases of the project being planned and reviewed. The new BMX track in Burgess Park received planning permission in March 2012 with most of the expenditure funded from external sources. The project is due for completion in the summer of 2013.

78. On Honor Oak Remediation project, only £25k of the total budget of £745k will

be used before 31 March 2013. The remaining funds in this project are allocated to an access road between the Cemetery and Crematorium (£100k) and the remediation of area Z in Camberwell Old Cemetery. This site requires faculty permission to enable further investigation work which will lead to remediation work taking place in 2013/14.

Culture, libraries, learning & leisure

79. Dulwich Leisure Centre and Camberwell Leisure Centre phase 2 works are now completed. There was an additional cost of £232k on the Dulwich Leisure Centre, however, this will be offset with a projected favourable variance on the Camberwell Leisure Centre phase 3 works which were completed in December 2012 and are now open to the public.

80. Work at Pynners Sports Ground involves rebuilding the pavilion that was destroyed by a fire a number of years ago. The project has slipped but is expected to be completed by the end of the current financial year 2012/13.

81. The Thomas Calton Centre forecast of £153k for refurbishment is still expected to be spent in 12/13.

82. Olympic Legacy Fund - The capital programme was a provision of £2m over 2 years 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. Due to a re-profiling of the Olympic Legacy Fund for 2012/13, some of the project spend will now occur in 2013/14 (£335k) as a result of the size of some of the projects being larger than previously anticipated and also due to some of the projects attracting external funding as a result of the Olympic Legacy funding being in place. To date the projects have collectively attracted a further £847k worth of funding with the potential to attract further funding in the pipeline.

83. Implementation of RFID equipment (Radio Frequency Identification) at Dulwich will be completed by March 2013 and other two libraries (Newington and Camberwell) are planned to be installed in 2013/14 onwards. Implementation of RFID at Peckham was completed and became available to residents on 1 October 2012.

Community safety & enforcement

84. CCTV Digital Upgrade – The first contract let through the framework agreement for the digital upgrade at the CCTV monitoring suite at Southwark police station is now completed. The contractor, QSG met each milestone and delivered a project to an excellent standard and on budget. The housing refresh programme and parking enforcement upgrades are a continuation of key elements contained within the framework agreement.

85. This phase of the project is designed to link the housing estate cameras and parking camera networks to the control suite. The project is ready to commence and expected to be completed by 31 March 2014.

86. Work has already commenced on the Aylesbury Estate which includes the installation of 4 re-deployable CCTV cameras in the Thurlow/Kinglake Street area. These cameras will be fully operational by the end of January with connection to the new digital CCTV control room. The infrastructure will form part of the wider CCTV service for the area.

Finance and corporate services

87. The capital programme of this department focuses on two key areas: information technology infrastructure projects and premises improvements to council buildings.

88. The total value of the capital budget for the department over the 2012/13-2021/22 period is £201.3m and includes funding confirmed since Q2 report was presented to Cabinet, of an additional budget of £178.1m.

89. The budget for 2012/13 is £180.4m with expenditure of £180.1m recorded at the end of quarter 3. This expenditure is largely due to costs associated with the acquisition of the office building at 160 Tooley Street.

90. This recent acquisition now gives the council increased scope as freeholder to consider targeted investment in works to the building that will increase the utilisation of the building both to improve service delivery and offer increased community use of facilities where possible.

91. The procurement of a new Facilities Management (FM) services supplier has been approved by cabinet with the 5 year contract commencing on 1 February 2013.

92. To address the future FM capital requirements of the council's operational estate, a bid of £10.25m was approved by cabinet in the capital programme refresh. This reflects the anticipated cost of undertaking a co-ordinated PPM and compliance programme on council property fabric and services from 2013/14. The work follows an earlier phase where the council undertook DDA work to its front-line premises. It is anticipated that this work will be funded through a combination of corporate resources and reserves.

93. The council is engaging a new Information Technology Managed Service supplier early in 2013 which will be delivering a series of core enabling projects to modernise provision of IT services in the council. £5m was included in the refreshed programme, with spend anticipated to start in 2013/14 and funded by corporate resources

Chief executive's department

94. The total value of the capital budget for the department over the 2012/13-2021/22 period is £70.1m. Over the same 10-year period, the department is currently forecasting an expenditure of £69.7m against a budget of £70.1m. The positive variance of approximately £400k is largely due to projected underspend on Canada Water development projects.

95. In 2012/13, the forecast expenditure of £22.4m against a budget of £28.7m creates a projected underspend of £6.3m. This positive variance is a result of

rigorous and robust review of planned expenditure and the subsequent re-profiling of some projects into future years. This review is on-going to ensure the forecasts are as accurate, robust and close to outturn position as possible in line with Q2 capital report recommendation to Strategic Directors.

96. As reported to Cabinet in Q2, following the appointment of the Chief Executive and re-organisation of the council structure, there are now four main project areas, namely planning, framework & implementation, regeneration and other regeneration projects.

97. The planning division has a total budget of £8.2m with forecast expenditure of £3.4m in 2012/13 and £4.8m in 2013/14 The budget is largely funded by TfL to deliver transport improvement programme which is the three year plan contained within the borough's transport plan. Key projects include delivery of improvement works in various locations across the borough including Peckham, East Walworth, Forest Hill, and Paxton Green amongst others. This will deliver improvements to bus journey time, road safety, improved access to town centres and aide the promotion of sustainable and active modes of transport.

98. In addition to transport improvement programme, two major schemes are also funded, public realm and access improvements to Queens Road Peckham station (totalling £335k) to provide a new forecourt and support the creation of a new entrance and the introduction of lifts. Following community consultation and preparation of transport models, scheme development has commenced on the Camberwell town centre as part of the Revitalise Camberwell programme (totalling £585k). Scheme consultation is scheduled for early 2013.

99. A further £471k is available for principal road renewal in Eveline Road and Hawkstone Road and there is £100k of discretionary funding for improvements including installation of Trixi mirrors, local transport initiatives and road safety review at Townley Road.

100. Framework & Implementation, now part of planning, has a budget of £6.4m and forecasting expenditure of £4m in 2012/13 and £2.4m in 2013/14. A number of schemes are currently on site including the public realm improvements at Great Suffolk Street, the construction of a green roofed extension to the Flat Iron Square cafe (both funded by a £300,000 grant from the GLA) and the Dog and Pot public art project on the corner of Blackfriars Road and Union Street to commemorate Dickens bi-centennial.

101. With regard to Improving Local Retail Environments programme (ILRE), the remaining seven sites have also been delivered and are close to completion. These are the 3 parades in Jamaica Road, the 2 parades in Southampton Way (designed to complement the public realm improvements completed in 2011/12) Rotherhithe New Road and Lordship Lane. Additional works have also been programmed for Herne Hill, The Blue and Peckham Park Road.

102. The regeneration division is responsible for the delivery of some key/high profile projects such as Office Accommodation Programme, the construction of a new £20m leisure centre at Elephant & Castle, and Gateway to Peckham project amongst others. The Gateway to Peckham project was recently awarded a grant of £5.25m by GLA with the grant agreement signed off by both parties in December 2012.

103. The combined budget for regeneration division/other regeneration projects is £55.4m with forecast expenditure of £15m for 2012/13 and £40.1m for 2013/14 to 2015/16.

104. Works have commenced at Queens Road Block C (QR3) with completion programmed for April 2013. The 11 Market Place development has completed.

105. Buildings at 17 and 19 Spa Road have both been fully decommissioned and the disposals have been completed

106. The department is on course to deliver various projects aimed at improving road safety, encourage greener and sustainable modes of transportation in the borough as well as supporting commercial viability of local shopping areas. This is additional to major regeneration projects at Aylesbury, Elephant & Castle and Canada Water.

Housing general fund

107. The housing general fund capital programme represents investment in housing in the borough which is not directly focused on council properties. It comprises four main areas of activity.

108. The housing renewal programme 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. It is mainly funded from corporate resources but also attracts government grant for disabled facilities, for which an additional £100k has been made available by DCLG for the current year since last reported. Other external funding comes from the GLA, including in connection with Southwark's low carbon zone project, one of only 10 within the London area.

109. Following recent changes in responsibility for the delivery of projects in the East Peckham and Nunhead renewal area programme, expenditure profiles have been reviewed with approximately £500k deferred to 2013/14. The group repairs scheme is now spending well, requiring approximately £200k to be brought forward from next year for these works replacing energy inefficient components, providing insulation and working to retrofit "green" energy products, and so contributing to CO2 emission targets.

110. The Burnhill Close travellers' site scheme shows increased costs which will require a small budget virement within the overall travellers sites programme, subject to approval of a gateway 3 report. The Springtide travellers' site project, the final site in this programme, has now received gateway 1 approval and the profile of expenditure has been updated accordingly, moving approximately £300k into future years.

111. The affordable housing fund programme, supporting new build social housing by registered providers and funded through S106 developer contributions, has no planned expenditure this year. The existing scheme started last year at Ivydale Road and the balance of the approved funding is due on completion in 2013/14.

112. The full HGF programme budget agreed for 2012/13 onward was £27.6m,

including the agreed growth bid for renewal grants including disabled facilities grants (DFG). Against the revised budget of £5.3m for 2012/13 (including the additional grant referred to above) expenditure to the third quarter was £2.2m, with a revised outturn forecast of £4.8m. The majority of expenditure to date is in respect of DFG grants, for which demand remains consistently high and which formed a substantial part of the bid, and group repairs.

Housing investment programme

113. The Housing Investment Programme report to cabinet on 18 October 2011 confirmed 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. It also reported the approach to be taken for additional works on high investment needs estates, which has since been reported to cabinet in more detail. The format of the HIP summary for this year has been revised to better reflect the programme in its agreed form.

114. The programme budget contained in the 2011/12 outturn report was £432.9m over the life of the five-year programme. The addition of £15.2m reflecting the budgeted cost of demolishing the Heygate Estate and £300k additional resources received for the adaptations programme produced a revised total budget of £448.4m, which when adjusted to allow for the roll forward of budgets at the end of 2011/12 gave a budget of £396.2m for the remaining four years of the approved programme. The Housing Investment Board has agreed to increases in this four-year budget by bringing forward HIP resources from future years for fire safety works (£4.5m) and Aylesbury planned preventative maintenance (ppm) works (£1.7m), and an increase of £300k in the allocation to meet the final costs of the digital switchover programme, giving an overall budget of £402.8m.

115. Capital expenditure to the third quarter of 2012/13 was £46m with a revised outturn forecast of £81.7m. The most significant proportion of this expenditure was within the Warm, Dry and Safe (WDS) programme, which in respect of decent homes performance has contributed to an increase in decency level of 2.3% (858 properties) since the start of the year. Following difficulties with one of the partnering contracts, revised notices of proposals have now been issued, and with agreed maximum prices now being obtained for further works packages the rate of expenditure has increased in delivering the WDS programme. With heating works brought forward to offset the reprofiling of major works, forecasts for the WDS programme have reduced by approximately £1.6m for 2012/13.

116. Outside of the WDS programme the reduction in spend forecast is most noticeable in the reprofiling of regeneration schemes at the Heygate and Aylesbury estates, where the deferral of leasehold acquisitions ensures residents are able to remain in their homes for as long as possible.

117. Forecast expenditure for the 4 year period totals £402.4m, against the agreed budget of £402.8m, maintaining a fully funded programme. The financing of this expenditure has been adjusted to reflect confirmation of government backlog grant funding at £15m for 2013/14 and £50m for 2014/15. This funding will be required to meet the costs of works packages under the partnering contracts, which exceed the original estimates which were based on stock condition information. These increased costs to date are covered by the use of

contingency provisions within the programme, but as the programme moves forward will require significant additional funding. This requirement will be included in a separate report to cabinet on the ongoing HIP.

Community impact statement

118. This report describes the current and forecast position of the capital programme for the next ten years. The projected expenditure reflects plans designed to have a beneficial 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 used efficiently and effectively to support the council's policies and objectives.

119. Each project within the capital programme will be considered with regard to its impact on age, disability, faith/religion, gender, race and ethnicity and sexual orientation.

120. The council's capital programme is designed to deliver projects of value to local people.

Resource implications

121. This report forms part of the council's budget framework. It outlines the current position on the capital programme and identifies potential new projects to be included in it.

122. The resources supporting programme delivery are identified on a project by project basis. Staffing resources are generally contained within the council's current establishments and where additional or specialist resources are needed these will be the subject of separate reports.

Legal implications

123. The legal implications of this report are identified in the concurrent report of the Director of Legal Services.

Financial implications

124. This report fully explores the financial implications of the capital programme at Q3 of 2012/13. The report presents a capital programme over 10 years where predicted resources are sufficient to meet anticipated spend.

Consultation

125. Consultation on the overall programme has not taken place. However, each of the individual projects is subject to such consultation as may be required or desirable when developed. Some projects may require more extensive consultation than others, for example projects with an impact on the public realm. Projects funded by grant or s106 may require consultation as a condition of funding.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

126. The council has a duty to maintain a balanced budget throughout the year and, accordingly, members are required to regularly monitor the council's financial position. 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.

127. The Capital Programme 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.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	General Fund Capital Programme Summary – 2012/13 at Quarter 3
Appendix B	Housing Investment Programme Summary – 2012/13 at Quarter 3
Appendix C	Funded Virements and Variations for Approval 2012/13 at Quarter 3
Appendix D	General Fund Capital Programme Detail

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance, Resources and Community Safety	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Report Author	Jay Nair, Departmental Finance Manager	
Version	Final	
Dated	31 January 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	**Comments Sought**	**Comments included**
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	N/a	N/a
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		31 January 2013