

<b>Item No.</b> 16.	<b>Classification:</b> Open	<b>Date:</b> 15 September 2015	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Quarter 1 Capital Monitoring for 2015/16 and Capital Programme Refresh for 2015/16-2024/25	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Fiona Colley, Finance, Strategy and Performance	

**FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, STRATEGY AND PERFORMANCE**

This quarter’s capital monitor provides, as usual, an update and progress report on the delivery of our £2 billion 10 year capital programme. Within the report you will find an update from each department covering their projects.

This quarter we are making a number of variations to the programme which include the addition of the £27.9m to help deliver the additional school places needed in our borough funded by the basic need grant we will receive from the Department for Education in 2017/18. We are also asked to approve the addition of an indicative sum of £18m for the proposed loan cabinet agreed in principle in July to help establish the Mountview Academy of Theatre in Peckham.

**RECOMMENDATIONS**

That cabinet:

1. Notes the general fund capital programme for the period 2015/16 to 2024/25 as at Quarter 1 2015/16, as detailed in Appendix A and D.
2. Notes the housing investment programme for the period 2015/16 to 2024/25 as at Quarter 1 2015/16, as detailed in Appendix B.
3. Approve the virements and variations to the general fund and housing investment capital programme as detailed in Appendix C.
4. Notes the projected expenditure and resources for 2015/16 and future years for both the general fund and housing investment programmes as detailed in Appendices A, B and D as at Quarter 1 2015/16 and this position will be updated during the year when more up to date information is available.

**BACKGROUND INFORMATION**

5. On 21 July 2015, the 2014/15 capital outturn report was presented to the cabinet. This reported the capital outturn position of £77.7m on the general fund programme and £168.6m on the housing investment programme for the financial year 2014/15
6. At that meeting, cabinet also approved the re-profiling of the expenditure and resources for the financial year 2015/16 and future years in light of the 2014/15

outturn position for both the general fund and housing investment programme and noted that further re-profiling will be required during 2015/16 based on more up to date information available.

7. The scale of the capital programme is immense, and with a total forecast spend of nearly £2 billion, the capital programme represents a major element of the council's financial activities. It has a significant and very visible impact on the borough and hence on the lives of those who live, learn, visit and or do business in the borough.
8. Due to the size and scale of the capital programme and the number of projects involved, it is inevitable that unforeseeable delays can occur which lead to some variations against planned spend. Historically the capital programme has been over programmed in year to compensate for these variations, whilst retaining a balanced programme overall.
9. This report sets out the re-profiled budget and forecast outturn position for 2015/16 for the General Fund and the Housing Investment Programme (HIP).

## **KEY ISSUES FOR CONSIDERATION**

### **General Fund Capital Spend**

10. The quarter 1 capital monitor report indicates that expenditure of £14.1m incurred at quarter 1 against a re-profiled budget of £119.5m for 2015/16 showing a spend of 11.8% to budget on the general fund capital programme. The summary position and the programme details by departments are reflected in Appendices A and D respectively.

### **Housing Investment Programme Spend**

11. The total re-profiled budgets on the Housing Investment Programme for 2015/16 is £356.8m and the expenditure incurred at quarter 1 is £24.7m, indicating a spend of 6.9% to budget. The majority of the expenditure on the Housing Investment Programme relates to the numerous works on the Warm, Dry and Safe programmes which is forecast to spend £200m in 2015/16. Details of the schemes and budgets within the Housing Investment Programme are reflected in Appendix B.

### **Resource implications**

12. The council's capital resources are comprised of the following:
  - capital receipts from disposal of property
  - grants
  - external contributions
  - section 106 and Community Infrastructure Levy (CIL) contributions
  - housing major repair reserve
  - contributions from revenue
  - contribution from reserves
  - internal borrowing
  - external borrowing.

13. 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. 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 quarterly monitors to assess income to date, forecasts and changes.
14. 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 and budgets re-profiled in line with anticipated spend. 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.
15. 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**

16. 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 development. Contribution requirements can take several forms and range from provision of affordable homes and highways works to very specific mitigation projects. Depending on the agreement, developers may deliver works directly or choose to make payments to the council to undertake work.
17. Use of S106 funding has been forecast in the programme, which is provided through existing balances and new funds anticipated from future agreements.
18. On 25 March 2015, following two years of development and three rounds of consultation, council assembly approved a Community Infrastructure Levy (CIL) for Southwark. Southwark CIL is a floor space charge for infrastructure which applies to applicable planning permissions from 1 April 2015. On 17 March 2015, cabinet approved the S106 & CIL Supplementary Planning Documents (SPD) which refined what S106 can be secured on, and committed to spend 25% of Southwark CIL locally.
19. On 21 July 2015, cabinet agreed the creation of the Infrastructure Planning Board (IPB) and the process for identifying projects for which the 70% CIL strategic funding may be used as all or partial funding of projects within the council's capital programme.

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

20. Reserves are funds set aside from favourable variances in the revenue and

capital budgets. They can also be planned contributions to meet contractual commitments or future expenditure plans which may include risks or liabilities that arise at a later date. The three reserves which have relevance for funding the capital programme are outlined below:

- 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 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.
- 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.

### **Capital Receipts**

21. The council operates a ten-year disposals programme and the planned disposals generate capital receipts which the council can use as a funding source to finance capital expenditure.
22. 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. The capital receipts forecasts together with other sources of funding will be monitored on a regular basis to ensure adequate funding for the capital programme. 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**

23. The council uses of a range of grants to fund capital expenditure and the grants tend to be programme or project specific with each grant having some form of conditions.
24. Grants may be provided as a sole funding source, or as one of several funding sources depending on project requirements. In each case, funding conditions are met to demonstrate that grants have been applied for the purposes given and audit trails are maintained.

### **Resourcing to Quarter 1 2015/16**

25. As at quarter 1 2015/16, capital receipts of £7.9m and £8.9m had been received from the general fund and housing receipts respectively for the financial year 2015/16.
26. At the end of quarter 1 2015/16, £18.1m other income had been received including £997,000 of education related grants and £16.7m secured through S106 and CIL agreements.

27. The above resources will be monitored and applied as appropriate to schemes in 2015/16.

### **Programme position at Quarter 1 2015/16**

28. Attached at Appendix A is a summary of the general fund programme position as at quarter 1 of 2015/16. This shows a total expenditure budget of £570.6m budgeted over the programme from 2015/16 to 2024/25.
29. Attached at Appendix B is a summary of the housing investment programme position as at quarter 1 of 2015/16. This shows a total expenditure budget of £1,391.1m over the programme from 2015/16 to 2024/25.
30. Appendix C shows the budget virements and variations arising in quarter 1 of 2015/16 for approval by cabinet.
31. Appendix D shows a more detailed view of the general fund programme on individual projects or groups of projects over the period 2015/16 to 2024/25.
32. 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**

33. The sections below provide commentary on the budget position by departments for 2015/16.

### **GENERAL FUND (APPENDIX A)**

#### **Children's and Adult Services**

34. In summary, the capital programme across Children's and Adults Services for the period 2015/16 to 2024/25 at the start of the year was £136.2m. The DfE have announced 2017/18 basic needs grant of £27.9m which is requested to be added to the programme to make a revised total programme of £164.1m as reflected in Appendix C. The annual budget for 2015/16 was £48.0m and the expenditure incurred at quarter 1 was £3.2m. There is no variance from the budget to expected outturn at this stage.

#### Children's Services

35. The revised capital programme for 2015/16 to 2024/25 is £116.8m. With the addition of the 2017/18 basic needs grant the total programme becomes £144.7m. The annual budget for 2015/16 is £43.2m. The expenditure incurred for quarter 1 was £3.0m
36. The main areas of expenditure for 2015/16 will be:
- £659,000 for 2 year old places
  - £4.5m schools maintenance programme
  - £660,000 temporary expansion, and
  - £37.0m on permanent expansion.

37. As the main expansion programme is progressing with enabling works, designs and main contract tenders, there are a number of cost pressures arising. The main reasons are construction industry inflation associated with a high volume of construction in London and the south east. Contractors are required to demonstrate that they are achieving competitive value for money prices and officers will also review the schemes with relevant members, schools and stakeholders with a view to containing expenditure within the total programme.

#### Adults' Services

38. The capital programme for the period 2015/16 to 2024/25 is £19.4m. The annual budget for 2015/16 is £4.8m. The expenditure incurred for quarter 1 was £156k. The main works in 2015/16 included major refurbishments at Orient Street and the Brandon Trust properties and the expansion of the Telecare service.

#### Southwark Schools for the Future

39. The capital programme for the period 2015/16 to 2024/25 is £38.4m and the revised annual budget for 2015/16 is £2.7m with the total forecast expenditure also £2.7m. The expenditure for quarter 1 was £417,000 for ICT equipment. The expenditure in 2015/16 will be on ICT equipment, lease payment for Highshore and retention on completed schools.

#### Finance and Corporate Services

40. The capital programme for this department continues to focus on two key areas: Information Technology infrastructure projects and premises-related improvements to the council's operational buildings. The total departmental capital programme stands at £55m. The budget for the department in 2015/16 is £10.1m and the forecast outturn is projected to be in line with the budget set.
41. Information technology is a key component to the council's ability to successfully deliver services efficiently and effectively going forward. Over the next ten years the council will continue to update and improve the IT infrastructure and networks. In 2015/16 the council expects to complete the implementation of a new social care system with a budget of £1.4m. Spend on infrastructure projects and maintenance/replacement of assets is expected to be in the region of £2.8m.
42. Facilities management will over the next ten years deliver a comprehensive planned preventative maintenance and compliance programme for the assets and fabric of the operational estate that fully supports the delivery of front line services. Programme spend in 2015/16 is expected to be £4.3m. In addition to this works continue on the re-instatement of Walworth Town Hall, which was significantly damaged by fire in March 2013.

#### Environment & Leisure

##### Summary

43. The total value of the departmental capital programme for the period 2015/16 to 2024/25 is £128m. The latest projected spends for the year is estimated to be £25.5m against the latest capital budget for 2015/16 of around £27m. The overall net variance which arises from re-profiling of the expenditure is proposed to be

carried forward into 2016/17.

44. The forecasts of projects in the departmental capital programme for 2015/16 and future years have been reviewed for their robustness since the 2014/15 outturn report and some budgets have been re-profiled, as appropriate.
45. The progress of major schemes is outlined below.

#### Public Realm

46. The Highway Asset investment programme (non-principal and principal roads) is programmed for full spend.
47. The Cleaner Greener Safer (CGS) programme is programmed to spend £2m and to deliver 200 projects.
48. The cycle infrastructure fund is forecast to spend £250,000 on scoping and design work for the Southwark Spine. The 20mph programme is on programme to spend £100,000 this financial year on preparation and design work for further physical interventions in 2016/17.
49. The implementation of the cemetery strategy continues to create further burial spaces and make associated infrastructure improvements. Major expenditure is expected this year with the completion of the lodge refurbishment works, replacement of cremators and the implementation of works at Area D1.
50. The Southern Entrance project at Burgess Park is the most significant project that will be progressed as part of Phase 3 of Burgess Park improvements this year.
51. The Parks Infrastructure and Investment improvements will continue to include urgent health and safety works such as lighting improvements, wall repairs and drainage work whilst work continues on the asset data capture project which will ultimately lead to Parks Infrastructure Asset Management Plan.

#### Culture, Libraries, Learning & Leisure

52. The £550,000 refurbishment of Peckham Library commenced with scaffolding in place and lift cars under construction. Works have also commenced on the library roof.
53. Works to phase one of the Southwark Athletics track recommenced at the end of June following sign off of planning conditions. Phase two (building refurbishment) is being developed with the main spend forecast for the end of the financial year.
54. The Peckham Pulse capital works, which included the redecoration of the pool halls, the replacement of the pool hall air handling unit and the re-grouting of the pool wet side floor tiles, have been completed. The pool halls re-opened in May 2015. Work on the Pulse building management system and metering and lighting works will be completed by end of October 2015.
55. The works at Seven Islands leisure centre continue to be delayed by the need for Fusion to carry out asbestos works. It has been agreed the most appropriate time to start pool pipe and valve replacement works will be in January 2016

when the pool hall closes for other refurbishment works.

56. The Thomas Calton Centre refurbishment project is now underway. The initial new window fits have commenced and everything has progressed well. The refurbishment contractor has estimated project completion to be August 2015.
57. Thomas Calton Centre ICT project has started. Capita are working on the building of the new network machines. The lift at Thomas Calton needs to be repaired so that the server can be removed.

#### Housing Renewal

58. The 2015/16 area renewal programme will focus on progressing the Brayards Road Improvement Zone group repair scheme. The project will provide health and safety repair works and environmental improvements to a maximum of 81 street properties of mixed tenures. Following the tender process, a contractor has been selected and has received its formal appointment. The contractor mobilised on site on 18 June 2015, with works expected to be completed by December 2015. To date 51 units of housing qualify to receive the packages of works available, giving a take up of 47% resident participation. It is anticipated that the final level of participation will be approximately 51%. The bulk of project expenditure is expected in quarters 2 and 3.
59. The Disabled Facilities Grant (DFG) programme has to date approved schemes costing £174,000. The unit is on track to meet the target of 95 completions this year and is projecting a nil variance on the budget. It is expected that majority of the DFG expenditure will occur in quarters 3 and 4, the period when most of the schemes are completed. The DFG subsidy allocation of £613,746 has been received and is being processed through the better care fund.

#### Environmental Services

60. The energy strategy team has identified 11 operational estate sites as potential projects for energy efficiency improvement projects as part of the £250,000 annual carbon reduction programme. Discussions are on going with the GLA's RE: FIT procurement framework regarding tendering for and procuring an Energy Services company (ESCO) to deliver these projects.
61. The unit is anticipating £87,000 revenue in 2015/16 from last year's installation of a photovoltaic array on the roof of the Old Kent Road integrated waste facility. This was identified as part of the budget planning process and will be monitored as part of the savings monitor. The project has had a number of positive press and publicity with British Gas highlighting it as a very interesting/challenging inner city case study. The project has also had a visit from the renewable energy team at the Department for Energy and Climate Change (DECC) who have shown a great deal of interest in the project.

#### **Chief Executive's Department**

62. The main focus of Chief Executive's 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.



63. The department is on course to deliver various projects aimed at improving road safety, encourage greener and sustainable modes of transportation as well as supporting the commercial viability of local shopping areas through environmental improvements, trader empowerment and continued business support. This is additional to the major regeneration projects at Aylesbury, Elephant & Castle, Camberwell and other parts of the borough.
64. The current value of capital programme for the department over the next 10 years is £184.1m. The latest capital monitor is projecting expenditure of £30.2m in 2015/16, £51.2m in 2016/17 and the balance of £102.7m over 2017/18-2024/25 financial years. This is a preliminary forecast and will be subject to on-going review throughout the year.
65. Performance thus far in 2015/16 has been steady with expenditure of £7m at the end of quarter 1 against 2015/16 full year forecast of £30.2m. Work is continuing on the delivery of key community projects with the completion of a new leisure centre in Elephant and Castle, new ultra modern library in Camberwell and new Nunhead Community Centre scheduled for completion this year.
66. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a combined budget of £22.4m with £10.1m profiled for 2015/16 and the balance of £12.3m profiled over future years.
67. The transport planning budget of £10.1m is largely funded by Transport for London (TfL) to deliver transport improvement programme as contained within the borough's transport plan. Planning Projects budget of £12.2m is funded mainly by s106 to deliver various projects to mitigate the impacts of new developments, improve public realm, parks and open spaces as well as supporting the commercial viability of local shopping areas.
68. The regeneration division (comprising of 4 project areas namely Regeneration North, Regeneration South, Regeneration Capital and Property Services) has a combined budget of £161.7m with projected expenditure of £20.1m in 2015/16 and the balance of £141.6m profiled over 2016/17 to 2024/25. Budget for regeneration is funded by capital receipts to deliver key community and regeneration projects across the borough, and s106/CIL contribution of £57m towards the strategic transport improvements project in Elephant & Castle.
69. The council is committed to the on going regeneration of Peckham, including bringing new jobs and investment to the area. On 21 July 2015 cabinet agreed the proposals for the Eagle Wharf development site, and the council is now working with Mountview Academy of Theatre Arts to help them establish their permanent home in Peckham. Mountview provides high quality drama, musical theatre and production training to the most talented students from across the UK. The proposal includes the development of community offer for the area. It is the one of three key development sites in Peckham that is now coming forward for completion in 2017/18, including the Library square and the Station square and it also compliments the established arts and culture scene in the area.
70. The capital programme has been increased for the proposed loan amount of £18m included in Appendix C for cabinet approval. The capital budget is indicative at this stage and the council will work with Mountview in seeking alternative funding sources to minimise the amount borrowed, aligning the interests of both parties. The aim is to approve the final agreement in the

autumn, with the Academy opening for the start of the 2018 academic year.

### **Housing General Fund**

71. The total value of the housing general capital programme is £1.4m and details of the projects are provided below.
72. Waddling St – The Guinness housing scheme started on site in May 2014. This is the final Elephant & Castle replacement housing scheme.
73. Ilderton Rd – Gypsy & Travellers site – Negotiations are on going with Network rail concerning the stability works to the embankment.

### **Housing Investment Programme (APPENDIX B)**

74. The total value of the Housing Investment Capital Programme for the period 2015/16 to 2024/25 is £1,391.2m. The forecast spend in 2015/16 is £350.6m against the agreed budget of £356.8m. The variance of £6.2m is re-profiled to spend in 2016/17. The section below provides commentary on the major areas of activity across the various capital projects within the Housing Investment Programme.

#### **HIP – Warm Dry and Safe**

75. £100m was spent in 2014/15 on warm dry and safe, ahead of the £90m original forecast, bringing total spend to £283m. The programme is forecasting to spend £200m in 2015/16 with projects now being committed against the £985m capital budget on the housing stock programme agreed by cabinet in quarter 3 of 2013/14. At the end of quarter 1, £15.4m has been spent against the forecast of £200m. The programme has consistently met or slightly exceeded the annual forecast. The WDS programme will be fully committed, with a few exceptions, by March 2016 and a 90% decency target has also been set for March 2016.
76. The 2 year programme is now complete. A total original provision of £76m was made for the two year programme, carry over schemes and the original FRA works within the original WDS budget. The final outturn expected to be around £82m for delivering these schemes.
77. All the WDS 2012 major works schemes are completed or on site. The agreed costs for the schemes are higher than estimated in the stock condition survey and the WDS contingency fund has been used to meet the budget shortfall. £41.4m has so far been committed against an original WDS allocation of £14.6m for these schemes. The remaining three schemes are expected to complete in 2015/16.
78. Eight of the WDS 2013 major works schemes are committed, with 4 achieving practical completion. The remaining schemes to be committed are Tustin refurbishment works, Aylesbury Phase 2 (following phase 1), a package of street properties and Acorn (following regeneration works). The overall original WDS 2013 major schemes allocation was £30.1m including some brought forward blocks being delivered with these schemes but excluding contingency.
79. Some WDS 2014 major works schemes works were brought forward using the Decent Homes Backlog funding. £97m has been committed against an original

overall WDS allocation of £37.6m for all the WDS 2014. One scheme has been committed in 2015/16 with another scheme expected to be committed in 2015/16. A further scheme is on hold pending heating works.

80. Over £60m of the WDS 2015 major works schemes were committed at the end of quarter 1 2015/16 with the majority of the remaining schemes expected to be committed by quarter 3 2015/16 which means nearly all of the programme will be committed by quarter 3 2015/16.
81. The trend of schemes requiring more resources than the original 2010 stock condition survey estimate has continued, meaning that the existing WDS budget is effectively committed with resources for now being allocated from the £985m capital budget on the housing stock programme to complete the works.
82. Following the manifesto commitment to deliver a kitchens and bathroom programme, a package of works is being put together to be delivered alongside the major works programme for 2015/16. Costs have been included in the capital programme for 2015/16 and are currently estimated to be £20m for the current year.
83. There are a number of potential funding streams that can contribute to or reduce the commitment for extra resources for this programme. A successful bid was submitted for Decent Homes Backlog funding in 2015/16 and £53m has been added to the funding assumptions. Further to this, 'risk pots' in committed projects not being utilised and under spends on projects will mean reduced costs on committed projects.
84. Both the Four Squares and Hawkstone WDS/HINE projects continue on site and will complete in 2015/16. The main Abbeyfield scheme (Maydew) is now due to start on site in late 2015/16. The HINE allocation for Four Squares was increased to £28m following structural issues and the scope of works required to complete the scheme.
85. All the remaining programmed 2015/16 WDS district heating schemes are now expected to be committed this financial year.
86. All high rise blocks with a substantial risk from the fire risk assessments have been completed as part of the FRA Programme. All the higher moderate risk high rise blocks are also complete except for works that coincide with the WDS programme. £2.3m has been allocated to complete substantial medium rise FRA works are also being completed in 2015/16 alongside planned WDS works. Sidmouth has also been added to the programme.
87. The decency level of at the end of the quarter 1 was 60.94%. A 90% decency target has been set for March 2016.

#### Bermondsey Spa

88. Approximately £700,000 is expected to be spent on Vauban and Neckinger Estates environmental works in 2015/16 but has yet to be committed.

#### Regeneration Schemes 2015/16 – Hidden Homes – Refurbishment

89. Five Hidden Homes were completed at the start of this year, with no further

Hidden homes currently on site but 4 with planning approved and a number of other sites being progressed for inclusion in the programme.

#### New Build – Phase 1

90. Phase 1 of the Direct Delivery programme comprising of 9 sites is currently in various stages of development. It is split into 2 major areas of work “Phase 1A – Willow Walk” and “Phase 1B – Other Works”.

#### Phase 1A – Willow Walk

91. Willow Walk will be the first newly built homes delivered as a result of this programme. This scheme will deliver 21 general needs housing and a 54 short stay accommodation unit, both of which are scheduled to complete by summer 2015. These units are being funded through a mix of RTB Receipts, GLA grant funding, S106 Affordable housing fund and other capital receipts.

#### Phase 1B – Other Works

92. Main construction works on seven other sites at Long Lane, Masterman House, Clifton Estate, Gatebeck and Southdown on the East Dulwich Estate, Cator Street and Nunhead Green site B started in January 2015. These works are due to complete in between January and September 2016. Enabling works at Sumner Road has also commenced with the main works due to commence in 2016.
93. The estimated cost of the works to these 7 sites is approximately £43m excluding Sumner Road. This is expected to be funded from various funding streams; £27m from S106 Affordable Housing Fund, approved by the Planning Committee on 14 July 2015. The balance will be funded from a combination of other resources including GLA grant (Building the Pipeline), capital receipts generated by sales and the reserved part of the RTB receipts set aside for new build and from other capital receipts.

#### Phase 2

94. This consists of 13 schemes and the sites are being worked up for a planning application, but are not expected to start on site until 2016/17.

#### Summary Position

95. The provisional estimated cost of phase 1A and 1B is £54m (excluding Sumner Road, which is yet to be finalised). The programme is forecasting to spend of £33m for 2015/16 with 15% spent to the end of June which includes on site development costs and enabling costs for Phase 2.

#### Aylesbury Estate Regeneration

96. In the first development site, of the 563 properties, only 21 are still occupied. The council is continuing to seek to buyback the 19 leaseholders and rehouse the 2 tenants. It is anticipated that the demolition of this area will start in Summer 2015.
97. In the next phase of the development which comprises 403 properties, only 332

are still occupied. The Council is continuing to seek to buyback the 50 leaseholders and rehouse the 282 tenants.

### **Risks on council's development and refurbishment projects**

98. The current capital programmes across all departments relating to development and refurbishment projects are subject to an emerging risk. This relates to the significant overheating of the construction market, particularly in London, in terms of main contractor services, subcontractor capacity and supply of materials. This is impacting directly on both time and cost for projects currently underway. While this is largely out of the councils control the impact on cost and time of current market conditions needs to be given full consideration in both the feasibility and development stages of emerging projects.

### **Resource re-profiling**

99. The budgets across the capital programme were re-profiled at 2014/15 outturn based on the information available at that time. However, due to the size of the capital programme and the number of projects involved, it is inevitable that unforeseen delays can occur leading to some variation against planned expenditure. The capital programme will be subject to on-going review by service managers and the budgets will need to be re-profiled further during 2015/16 based on the latest information available on procurement and contract management issues.

### **Community impact statement**

100. This report describes the current capital position on the council's capital programme. 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.
101. Each project within the capital programme will be considered with regard to its impact on age; disability; faith/religion; gender; race; ethnicity; sexual orientation; gender reassignment; marriage and civil partnership; pregnancy and maternity.
102. The council's capital programme is designed to deliver projects of value to local people.

### **Resource implications**

103. This report forms part of the council's budget framework and outlines the current position on the capital programme.
104. Staffing resources are generally contained within the council's current establishments and where additional or specialist resources are needed these will be subject to separate reports.

### **Legal implications**

105. The legal implications of this report are identified in the concurrent report of the director of legal services.

## Financial implications

106. This report fully explores the financial implications of the capital programme for the general fund and the housing investment programme at quarter 1 of 2015/16. The report also presents an updated position on the refreshed capital programme over the period 2015/16 to 2024/25 on the predicted resources and expenditure across this period.

## Consultation

107. 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

108. 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.

109. 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
Quarterly Capital Monitoring Outturn Report for 2014/15 and Capital Programme Refresh 2014/15-2023/24	Southwark Council Finance and corporate services 160 Tooley Street London SE1 2QH	Jay Nair, Senior Finance Manager, Finance and Corporate Services
<b>Link:</b> <a href="http://modern.gov.southwark.gov.uk/documents/g5138/Public%20reports%20pack%20Tuesday%2021-Jul-2015%2016.30%20Cabinet.pdf?T=10">http://modern.gov.southwark.gov.uk/documents/g5138/Public%20reports%20pack%20Tuesday%2021-Jul-2015%2016.30%20Cabinet.pdf?T=10</a>		

## APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at quarter 1 2015/16
Appendix B	Housing investment programme summary monitoring position at quarter 1 2015/16
Appendix C	Budget virements and variations at quarter 1 2015/16
Appendix D	General fund programme detail at quarter 1 2015/16

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Fiona Colley, Finance, Strategy and Performance	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
<b>Report Author</b>	Jay Nair, Senior Finance Manager, Finance and Corporate Services	
<b>Version</b>	Final	
<b>Dated</b>	3 September 2015	
<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>
	Director of Legal Services	Yes
	Strategic Director for Finance and Corporate Services	N/a
	<b>Cabinet Member</b>	Yes
	<b>Date final report sent to Constitutional Team</b>	3 September 2015