

Item No. 10.	Classification: Open	Date: 9 February 2015	Meeting Name: Cabinet
Report title:		Quarter 3 Capital Monitoring for 2015/16 and Capital Programme Refresh for 2015/16-2024/25	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Finance, Modernisation and Performance	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, MODERNISATION 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.

Our capital investment programme is delivering on so many of our Fairer Future promises such as our Warm, Dry and Safe council housing upgrades, building 11,000 new council homes, ensuring every child has a local school place and delivering new libraries and leisure centres.

I would particularly like to note the completion in quarter 3 of The Green, the new Nunhead Community Centre, which opened to the public on the 11th January 2016 and is already busy and well used by a wide range of groups in the area. The new building is fully accessible and built to the high environmental standards. The Green is managed by local community group, Nunhead Voice and is a key project in the council’s regeneration of Peckham and Nunhead area.

RECOMMENDATIONS

That cabinet:

1. Notes the general fund capital programme for the period 2015/16 to 2024/25 as at Quarter 3 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 3 2015/16, as detailed in Appendix B.
3. Approve the virements and variations to the general fund and the housing investment capital programme as detailed in Appendix C.
4. Approve the re-profiling of the budgets in line with projected expenditure for 2015/16 and future years for both the general fund and housing investment programmes as detailed in Appendices A, B and D and note the resources available for the capital programme based on latest information available at Quarter 3 2015/16.

BACKGROUND INFORMATION

5. The scale of the capital programme being managed within the council 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.

6. The quarter 2 2015/16 capital monitor report indicated that expenditure of £25.8m had been incurred on the general fund capital programme against a budget of £125m which represented a spend of 20.6% to budget as at quarter 2..
7. The quarter 2 2015/16 capital monitor report also reflected a spend of £72.9m on the Housing Investment Capital programme against a budget of £352.6m which represented a spend 20.6% against the budget for the year.
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. The capital programme is subject to on-going review by service managers and the quarter 2 2015/16 capital monitor report noted that some of the expenditure forecast will need to be updated as the capital schemes progress through the year and budgets will need to be re-profiled at quarter 3 for 2015/16 and future years based on latest information available at that time..
10. This report sets out the latest re-profiled budget and forecast outturn position for 2015/16 and future years for the General Fund and the Housing Investment Programme (HIP).

KEY ISSUES FOR CONSIDERATION

General Fund Capital Spend

11. The quarter 3 capital monitor report indicates that expenditure of £44.5mm incurred at quarter 3 and forecasts an outturn position of £80.3m for 2015/16. The budgets have been re-profiled in line with these projections and the summary position and the programme details by departments are reflected in Appendices A and D respectively.

Housing Investment Programme Spend

12. The total re-profiled budgets on the Housing Investment Programme for 2015/16 is £261.2m and the expenditure incurred at quarter 3 is £152.4m. 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 £150m in 2015/16. Details of the schemes and budgets within the Housing Investment Programme are reflected in Appendix B.

Resource implications

13. 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.
14. 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.
15. 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.
16. 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

17. The 2015/16 quarter 1 monitor report to cabinet explained Section 106 (S106) agreements, otherwise known as planning obligations, and the Community Infrastructure Levy (CIL) as two of the sources for funding the capital programme.

Contributions from Earmarked Reserves

18. 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

19. 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.
20. 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

21. 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.
22. 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 2 2015/16

23. As at quarter 3 2015/16, capital receipts of £22.7m and £31.9m had been received from the general fund and housing receipts respectively for the financial year 2015/16.
24. At the end of quarter 3 2015/16, 45.1m other income had been received including £7.4m of education related grants and £25.6m secured through S106 and CIL agreements.
25. The above resources will be monitored and applied as appropriate to schemes in 2015/16.

Programme position at Quarter 2 2015/16

26. Attached at Appendix A is a summary of the general fund programme position as at quarter 3 of 2015/16. This shows a total expenditure budget of £625m budgeted over the programme from 2015/16 to 2024/25.
27. Attached at Appendix B is a summary of the housing investment programme

position as at quarter 3 of 2015/16. This shows a total expenditure budget of £1,391.4m over the programme from 2015/16 to 2024/25.

28. Appendix C shows the budget virements and variations arising in quarter 3 of 2015/16 for approval by cabinet.
29. 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.
30. 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

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

GENERAL FUND (APPENDIX A)

Children's and Adult Services

32. In summary, the capital programme across Children's and Adults Services for the period 2015/16 to 2024/25 at quarter 2 was £165.2m. It is requested to add £39.2m DfE grant to the programme for the Charter School East Dulwich. Interdepartmental virements as a result of the council restructures total an additional £2.1m added to the CAS programme. This makes a revised total programme of £206.5m. The revised annual budget for 2015/16 was £22.6m and the expenditure incurred at quarter 3 was £14.6m. The forecast expenditure for 2015/16 after re-profiling is £22.6m.

Children's Services

33. The capital programme for 2015/16 to 2024/25 at quarter 2 was £144.7m. The December 2015 cabinet gave approval for the council to enter into an agreement with the EFA for the provision of a new eight form entry Charter School East Dulwich. The EFA will provide £39.2m grant funding and the council has agreed £5m allocation from the existing adults capital programme. The revised children's programme is £191m. The re-profiled annual budget for 2015/16 is £21.3m. The expenditure incurred for quarter 2 was £14.1m. The forecast for the current year has been re-profiled to £21.3m due to the additional time incurred in addressing the cost pressures of the expansion programme.
34. The main areas of expenditure for 2015/16 will be:
 - £800k for 2 year old places
 - £3.0m schools maintenance programme
 - £600k temporary expansion, and
 - £15.6m on permanent expansion
 - £1.3m on ICT upgrades and adult education premises
35. 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 and site specific abnormalities. Contractors are required to demonstrate that they are achieving competitive value for money prices and commercial discussions are on-going with the contractors.

36. The total cost of the primary expansion programme for 2015/16 to 2018/19 is currently forecast to be £115m with the main contracts still to be tendered and agreed. This is mainly due to the insurance requirement to fit sprinklers to some new buildings, specific site abnormalities including land contamination, works to listed buildings and the requirements of Transport for London. The re-profiled programme can be contained within the existing identified budget.

Adults' Services

37. The capital programme for the period 2015/16 to 2024/25 at Q2 was £20.5m. £5m allocation to The Charter School East Dulwich was agreed by cabinet in December 2015. The revised adults programme is now £15.6m and the re-profiled budget for 2015/16 is £1.3m. The expenditure incurred at quarter 3 was £512k. The main works in 2015/16 include major refurbishments at the Anchor Trust properties, re-profiled works at Orient Street and the Brandon Trust properties and the expansion of the Telecare service

Southwark Schools for the Future

38. The capital programme for the period 2015/16 to 2024/25 is unchanged from quarter 2 at £38.4m and the revised annual budget for 2015/16 is £2.1m with the total forecast expenditure at £2.1m as a result of re-profiling of budgets for ICT and council retained liabilities. The expenditure for quarter 3 was £718k. Forecast expenditure in 2015/16 will be on ICT equipment, lease payment for Highshore and retention on completed schools.
39. The final stage of the SSF programme will be SILS KS3/4. A budget of £8m has been earmarked for this purpose whilst plans are being drawn up. The costs budget can be contained within the existing identified programme budgets.

Finance and Governance

40. Information & Data Services Division (IDSD) & Corporate Facilities Management (CFM) are now reflected under Housing and Modernisation department following the senior management restructure which moved services between departments, agreed by cabinet on 28 July 2015 and took effect from 1 October 2015.

Environment & Leisure

Summary

41. The total value of the departmental capital programme for the period 2015/16 to 2024/25 is £111m. The latest projected spend for the year is estimated to be £16.8m compared to a budget set at the start of 2015/16 of £26.8m. The budget has been re-profiled to reflect this.
42. The overall net variance which arises from re-profiling of the expenditure is proposed to be carried forward into 2016/17 and future years.

43. The progress of major schemes is outlined below.

Highways

44. The Highway Asset investment programme (non-principal and principal roads) is programmed to spend £5.1m as compared with projection of £6m in quarter 2. There have been significant savings against budget on a number of projects, reduced spend on devolved highway funding due to late decisions by Community Councils, and although additional projects have been commissioned from our contractors, due to the long lead in times required, it is not anticipated that the full underspend can be recovered. By year end, 98 footway schemes and 91 carriageway schemes will have been completed, giving 11.4km of new carriageway surfacing and 8.9km of new footway surfacing.
45. The Cleaner Greener Safer (CGS) programme is forecast to spend £1.7m and deliver 200 projects. The backlog of projects at the end of each financial year has decreased annually from 183 at the end of 2010/11 to just 67 at the end of 2014/15. The current forecast for the end of 2015/16 is for 101 existing projects remaining live in 2016/17. This continues the downward trend of projects over one year old at the start of the new financial year evidenced since 2009/10. Of these 26 are older than one year (pre-2015/16 awards) and 75 are 2015/16 awards.
46. There will be an increase in the number of 2015/16 projects remaining live at the end of the financial year. This is due to a number of factors: a number of projects awarded part funding in 2015/16 and earlier; the impact of major projects on housing estates (e.g. Warm, dry and Safe) delaying the start of CGS works; a number of larger projects and grants which require a longer programme to deliver; and grants which are beyond the control of the CGS team.
47. The cycle infrastructure fund is forecast to spend £75k on scoping and design work for the Southwark Spine. This is a reduction from the previous forecast of £100k and reflects the prioritisation of TfL-funded routes where funding is more tightly time-limited. The 20mph programme is on course to spend £220k this financial year on surveys, monitoring, preparation and design work for further physical interventions in 2016/17 and 2017/18.

Leisure

48. The implementation of the cemetery strategy continues in order to create further burial spaces and make associated infrastructure improvements. There has been significant progress with some projects in particular the completion of the lodge refurbishment works and the replacement of one of the cremators. Despite the on-going campaign to prevent the creation of new burial space within existing cemeteries full planning permission was granted in October for Areas Z and D1. However both schemes require faculty permission and this has created further delays to the programme. However the spend is largely on track for this year.
49. Major Parks: Burgess Park projects being progressed include the Southern Entrance project which will include a new play area, an increased area for ecology, a new water body and a new welcoming entrance. Other projects include new toilet provision and a repair to a significant wall within the park. Southwark Park Masterplan is progressing well with consultants appointed to develop the detailed designs for planning. The Major Parks Programme is

projecting to spend £579k compared to a budget of £1.29m and the variance has been re-profiled into future years..

50. Nelsons Square project was awarded full planning permission in July but fell behind schedule due to ward councillor and community concerns. The project is now back on track and the £654k variance has been re-profiled into 2016/17..
51. Works to phase one of the Southwark Athletics track recommenced at the end of June 2015 following sign off of planning conditions. The works have progressed well and are on budget. They will be complete by the end of financial year. Plans for phase two (building refurbishment) are currently being developed with the main spend forecast for the first quarters of the new financial year.
52. 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, were completed in quarter 2 of 2015/16. The pool halls re-opened in May 2015. A series of Energy improvements projects will commence in quarter 4 of 2015/16, with a new building management system (Combined Heat and Power Plant, and Voltage Optimisation Unit) installed by end of March 2016, with lighting upgrades completing in early 2016/17. Further refurbishment work including a new reception area is programmed for early 2016/17 slipping beyond 2015/16 and the £425k variance will be re-profiled into 2016/17.
53. Works to improve Seven Islands Leisure Centre will be tendered in quarter 4 of 2015/16. The works which include upgrades to the swimming pool, changing rooms, and reception will commence in early 2016/17.

Service Development Division

54. The energy investment programme is currently being reviewed and has therefore been re-profiled for future years. It is anticipated that a long term programme will be agreed with facilities management and property by quarter 2 of 2016.

Chief Executive's Department

55. The current value of the capital budget for the department over 2015/16-2024/25 period is £195.2m, and includes funding confirmed since the last quarterly report was presented to Cabinet, of an additional budget of £8.6m, of which £7.6m relates to additional budget to be agreed by cabinet for the redevelopment of Peckham Rye Station and the immediate environs; £1m of New Homes Bonus grant for the building of construction skills centre within the Elephant and Castle regeneration area and budget virement of £500k from Chief Executive's department to Environment and Leisure. The budget virement of £500k will fund the delivery of Nelson Square improvements project.
56. The regeneration of Peckham and environs is a key priority for Southwark Council and the Gateway to Peckham project is at the forefront of the regeneration programme. In July 2011, the Council Assembly agreed to a £10m programme for a scheme focused on Peckham Rye Station with the aim of reinstating the heritage of the station building and create new opportunities to enhance the potential of the area.

57. In late 2011, the department submitted a funding bid to Greater London Authority (GLA) Mayor's Regeneration Fund to deliver the Gateway to Peckham project. The bid was successful and a grant of £5.25m was approved, resulting in a combined budget of £15.25m for the project.
58. Following public consultation in 2014, the scheme has been reduced in scale to focus on the creation of a new square in front of the Station, refurbishment of a number of railway arches and refurbishment of a building on Blenheim Grove. The revised scheme allows for the proposals for Dovedale Court and the buildings on Holly Grove to come forward at a later date following consultation.
59. Since the project initiation in 2011, various developments, such as the expansion of the Compulsory Purchase Order (CPO) boundary agreed by Cabinet on 17 November 2015; the provision of a new commercial site on Bournemouth Close for Black and Minority Ethnic businesses affected by the development; increased construction costs; disturbance costs for businesses affected by CPO; leaseholder fees, external legal fees and the inclusion of Dovedale Court refurbishment (at a later point) into the programme have resulted in a budget shortfall of £7.6m. The budget variation to meet this shortfall is included in Appendix C for cabinet approval.
60. Performance in 2015/16 has been steady with expenditure of £16.7m at the end of quarter 3 against full year forecast of £28.3m. The expenditure of £16.7m equates to 59% of full year projected expenditure. The full year expenditure forecast of £28.3m is a downward revision of £1m from Q2 and follows a thorough review of planned expenditure for the remainder of the year.
61. This year, the council secured approximately £9 million in funding from Transport for London (TfL). Majority of the schemes is commissioned and on-site. More than half of this is from the Quietways funding to continue the programme of improved cycle routes started in 2014. The key areas for improvement this year include pedestrian and cycle improvements at Crystal Palace Parade, completion of public realm improvements in the areas of Bellenden, Brayards and Coleman Road and the delivery of a significant number of cycle parking spaces. The major investment in Camberwell Town Centre public realm is ongoing and will continue into the next financial year.
62. A number of public realm and environmental improvements projects were completed in quarter 3. These include the environmental improvements and traffic calming in Hadfields working with partners at Lambeth Council; works to the community garden at All Hallows; the comprehensive remodelling of the triangle site at Queen Elizabeth Street which included the refurbishment of the Samuel Bourne Bevington, a grade 2 listed statue in partnership with Team London Bridge BID and Berkley Homes; the completion and launch of the Albert McKenzie memorial on Tower Bridge Road; and the cleaning, refurbishment and lighting of three tunnels - Dockley Road, Millstream and Gedling Place which were on the Community Infrastructure Projects List.
63. A further programme of projects is currently on site and being delivered in 2015/16. These include the environmental improvements of Queens Road, Peckham; a series of small scale projects in Meeting House Lane and the environmental improvements on Brayards Road. These three projects are the culmination of the Area Renewal programme. Other projects currently under development include the shop front programmes on Harper Road, Lower Road,

Tower Bridge Road, East Street and Walworth Road. Lower Road and Tower Bridge Road are part of the GLA's New Homes Bonus funded programme while East Street and Walworth Road are supporting the GLA's High Street Fund programme being delivered by Regeneration South team.

64. The new Nunhead Community Centre, known as The Green, opened to the public on the 11th January 2016 and is already being used by various groups in the area. The new building is fully accessible and built to high environmental standards to reflect the standards Southwark expect in all its new buildings. The Green is managed by local community group, Nunhead Voice, both as a commercial venture and a community asset. It is a key project in the Council's regeneration of Peckham and Nunhead area. The regeneration of Elephant & Castle is progressing with the completion of a £20m new leisure centre, The Castle, scheduled to open in April this year.

Housing and Modernisation

Summary

65. The capital programme for the department now reflects the senior management restructure which moved services between departments, agreed by cabinet on 28 July 2015 and took effect from 1 October 2015. The total value of the general fund capital programme for the period 2015/16 to 2024/25 is £73.7m. Total expenditure incurred at quarter 3 is £4.9m and the forecast spend for 2015/16 is £10.5m. The following narratives provide details by service areas.

Information & Data Services Division (IDSD) & Corporate Facilities Management (CFM)

66. The capital programme continues to focus on two key areas: Information technology infrastructure projects and premises-related improvements to the council's operational buildings. The total capital programme for the division stands at £53m of which £8m was set to be delivered in 2015/16. However the forecast spend this quarter stands at £6m. It should be noted that responsibility for reporting on the implementation of the new social care system has moved from IDSD to children's and adults services and is therefore not reflected in the figures above.
67. Information technology remains a key component to the council's ability to successfully deliver services efficiently and effectively going forward. As reported previously, over the next ten years the council will continue to update and improve the IT infrastructure and networks with spend this year expected to be in the region of £3.6m.
68. 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. Spend in 2015/16 is expected to be £1.0m, compared to £1.6m reported at quarter 2 reflecting the slippage of certain projects into the early part of 2016/17 which is not exceptional given their nature and size.
69. In addition to this, work continues on the re-instatement of Walworth Town Hall, which was significantly damaged by fire in March 2013. Spend at quarter 3 for the pre design and build phases for which corporate facilities management have

had responsibility for delivering is currently £1.3m and is forecast to rise to £1.5m by year end, which requires an increase to the current budget of £337k. This increase in budget will be fully funded from earmarked reserves.

Housing Renewal

70. The Brayards Road Improvement Zone group repair scheme (BIZ) is the last group repair project for the East Peckham and Nunhead Renewal Area. The project will provide health and safety repair works and environmental improvements to 53 street properties of mixed tenures. Phases one and two of the project have completed, with Phases 3 and 4 underway. The majority of the properties completed in the first phases were council owned properties. Given this, projected capital spend will occur in quarter 4 on both housing general fund and housing investment programme capital budgets. The project is due to complete in February 2016.
71. The Disabled Facilities Grant (DFG) programme has to date approved schemes costing £956k. The unit is on track to meet the target of 95 completions this year, delivered on budget. The greater part of DFG expenditure usually occurs in quarters 3 and 4, when most of the schemes are completed and commitment is realised. The 2015/16 DFG subsidy allocation of £613.7k has also been received via the better care fund.

Housing Investment Programme (APPENDIX B)

72. The total value of the Housing Investment Capital Programme for the period 2015/16 to 2024/25 is £1,391.4m. Total expenditure incurred at quarter 3 is £152.4m and the forecast spend for 2015/16 is £261.2m. The section below provides commentary on the major areas of activity across the various capital projects within the Housing Investment Programme.

Warm Dry and Safe

73. £100m was spent in 2014/15 on warm dry and safe, ahead of the £90m original forecast, bringing total spend to £283m at the end of 2014/15. At the start of 2015/16 the WDS programmes were estimated to spend £200m, with spend now being committed against the initial budget of £985m for the housing stock programme approved in quarter 3 2013/14. At the end of quarter 3 2015/16, £91.3m has been spent on WDS and current forecasts are estimating around 75% of the £200m will be spent, which includes an element of savings on committed contracts. This year is likely to be highest investment in existing stock in the council's history. The WDS programmes will be fully committed, with a few exceptions, by March 2016 and a 90% decency target has also been set for March 2016.
74. Both 2 year programmes and WDS 2012 major works are now complete.
75. Ten of the twelve WDS 2013 major works schemes are committed, with 7 achieving practical completion. Tustin is delayed but refurbishment works are due to start in 2016/17. Acorn was delayed pending regeneration works but is due to start in 2015/16.
76. 39 of the 41 WDS 2014 major works schemes are committed, with 17 completed. Portland Estate requires major structural works but due on site in

2015/16 and D'Eynsford Estate externals on hold pending district heating works.

77. 75 of the 102 WDS 2015 major works schemes are on site or completed. 28 have been completed, with the remainder starting in 2015/16 with a couple of schemes possibly starting at the start of 2016/17.
78. 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 initial £985m capital bid allocation to complete the programme.
79. Following the manifesto commitment to deliver a kitchens and bathroom programme, a programme of works is being put together to be delivered alongside the major works programme for 2015/16. Costs have been included in the capital refresh for 2015/16 and are currently estimated to be £11m for the current year.
80. 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 a potential £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.
81. Both the Four Squares and Hawkstone WDS/HINE projects continue on site, with Hawkstone completing in 2015/16 and Four Squares completing in quarter 1 2016/17. The main Abbeyfield scheme (Maydew) is now due to start on site in late 2016/17. The HINE allocation for Four Squares was increased to £28.7m following structural issues and the scope of works required to complete the scheme.
82. All the remaining programmed 2015/16 WDS district heating schemes are now expected to be committed this financial year or early 2016/17.
83. 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 being completed to coincide the WDS programme. £2.3m has been allocated to complete substantial medium rise FRA works which are also being completed in 2015/16 alongside planned WDS works. Sidmouth has also been added to the programme and will start on site in quarter 4 2015/16.
84. 1,937 homes fell into non-decency at the start of 2015/16 meaning the Decency level fell from 65.3% at 2014/15 year end to 60.07% at the start of 2015/16. The decency level at the end of the quarter 3 was 72.0% (up 12% since the start of year), with around a further 40 schemes due to complete by the end of 2015/16. A 90% decency target has been set for March 2016.

Future years budgets

85. A draft asset management strategy is currently under consultation and due to go back to cabinet for approval in March 2016. This outlines a future investment requirement of £797m over the next 8-10 years from 2016/17 as well as existing commitments from the WDS programmes. Following approval, the remaining

budgets on the housing stock programme will be reviewed against the resource requirement outlined in the strategy.

Direct Delivery Schemes and 11,000 New Homes Programme Hidden Homes – Refurbishment

86. Five Hidden Homes were completed at the start of this year, with 2 further Hidden homes currently on site and a further 6 with planning approved and being progressed using existing budgets.

Direct Delivery

87. Direct Delivery programme comprising of 8 sites are on site. Willow Walk has been the first newly built homes delivered as a result of this programme. The 54 short stay accommodation completed in quarter 2 with the 21 general needs housing completed in quarter 3. These units are being funded through a mixture of RTB receipts, GLA grant funding, S106 Affordable housing fund of £5,262,998 and other capital funding.
88. 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 between January and September 2016. Enabling works at Sumner Road has also commenced with the main works due to commence in 2016.
89. The estimated cost of the works to these 7 sites is approximately £42.3m excluding Sumner Road. This is currently being funded from various funding streams; £27m from S106 Affordable Housing Fund and the balance funded from a combination of other resources including GLA grant (Building the Pipeline) £1.8m, an estimated £4.3m from sales; £8.7m from the reserved part of the RTB receipts set aside for new build and from other capital resources.
90. A further 13 schemes are being worked up for planning approval but are not expected to start on site until 2016/17. There is some allowance of fees within the overall profile, however, there will not be significant spend within this financial year.

Summary Position

91. The provisional estimated cost of the schemes on site is £54.3m (excluding Sumner Road, which is yet to be finalised). The programme is forecasting to spend of £26m down from the original £35m estimated for 2015/16 with over 21m spent to the end of December.

East Dulwich Estate regeneration Programme

92. Void for Sale – Cabinet agreed the sale of 50 voids to help finance the regeneration of the estate. Of that 50, 43 have been sold. A further 5 have been identified and, in order to achieve best value, require decoration to market standard prior to disposal. These works should take place in quarter 4.
93. Drying Room Conversions - This consists of the conversion of 18 drying rooms in Phase 1 and Phase 2 which have been completed for private sale. Phase 1

included the creation of 9 units and these have been sold. The 7 units from Phase 2 have been sold and the other 2 are under offer. There is also an opportunity to convert a further 6 drying rooms with the completion of feasibility studies and the intention is to start works in quarter 4.

94. Badminton House - Refurbishment of an 11 unit block with a drying room conversion making a total of 12 units of which 3 will be for private sale and the remaining 9 for social rent. Works started in July 2014 and completed in June 2015.
95. Environmental Works – The environmental works programme has been decoupled from the health and safety works that are currently underway on the estate. However, the health and safety works have taken up a much larger proportion of the budget than initially anticipated, so more funding may be required.

Elmington Estate Regeneration

96. The refurbishment work Drayton House, Brisbane Street, Proctor House, Flatman House and Langland House have been completed.
97. The rehousing of tenants to achieve vacant possession for new build is still on track for Phase 3 with 1 tenant and 17 leaseholders remaining. The CPOs for 2 of the 3 sites have been confirmed. Confirmation of the third order is expected within quarter 3. Therefore, it is anticipated that a large number of the remaining households will be decanted in quarter 4.

Wooddene Regeneration Project

98. Re-provision of a heat and hot water plant within the Wooddene energy centre to serve the Acorn Estate: Due to delays with start on site, handover of the energy centre has slipped from January to April 2016. Therefore the works will happen in this financial year.

Purchase of S106 Properties from Developers

99. Salter Road: Contracts expected to exchange in January 2016 and the agreed purchase price is £6.1m ((exempt for VAT with the agreement due to go unconditional by February 2016. Fees are in the region of £66k.
100. Blackfriars: This purchase exchanged on 22 December 2015 at a final price of £10.7m (zero-rated for VAT), which is an additional £128k over the previously agreed price. This uplift represents upgrades to the mechanical & electrical specification and the lift specification, which were required to meet council standards across its managed estate. Fees are in the region of £129k.

Risks on Council's Development and Refurbishment Projects

101. 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 council's 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

102. 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 has been subject to on-going review by service managers and the budgets have been re-profiled at quarter 3 based on the latest information available. The current re-profiled budgets will be used to identify the variances on the programme budgets against the 2015/16 outturn position.

Community impact statement

103. 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.

104. 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.

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

Resource implications

106. This report forms part of the council's budget framework and outlines the current position on the capital programme.

107. 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

108. The legal implications of this report are identified in the concurrent report of the director of law and democracy.

Financial implications

109. This report fully explores the financial implications of the capital programme for the general fund and the housing investment programme at quarter 3 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

110. 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 Law and Democracy

111. 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.

112. 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
Quarter 2 Capital Monitoring for 2015/16 and Capital Programme Refresh for 2015/16-2024/25 Report (Item 10)	Southwark Council Finance and corporate services 160 Tooley Street London SE1 2QH	Jay Nair, Senior Finance Manager, Finance and Governance.
Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=5141&Ver=4		

APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at quarter 3 2015/16
Appendix B	Housing investment programme summary monitoring position at quarter 3 2015/16
Appendix C	Budget virements and variations at quarter 3 2015/16
Appendix D	General fund programme detail at quarter 3 2015/16

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Modernisation and Performance	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Jay Nair, Senior Finance Manager, Finance and Governance	
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CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	Yes	Yes
Strategic Director for Finance and Governance	N/a	N/a
Cabinet Member	Yes	Yes
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