

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 1 November 2016	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Month 5 Capital Monitoring for 2016-17 and Capital Programme Refresh for 2016-17 to 2023-24	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Fiona Colley, Finance, Modernisation and Performance	

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

I am delighted to be presenting this latest update of the council's capital and housing investment programmes that underpins so many of our fairer future promises and our Council Plan priorities. This report not only provides the current status of the hugely ambitious programmes that are in progress but also seeks approval for new schemes that support a range of themes. These new schemes amount to more than £130m to be invested in the next few years.

These schemes span the full breadth of our commitment to the residents of Southwark and in particular those who are young or are vulnerable. They provide a framework to provide children with the best start in life, for all residents to lead healthy, active lives and for neighbourhoods to be revitalised and for the local economy to be strong. The programme also maintains our passion to provide quality affordable homes and for the borough to be clean, green and safe. The scale of these programmes are almost unique in London and demonstrate our drive and innovation to make Southwark the best place to learn, earn, rest and play in the capital.

Mindful of the budget pressures facing all councils, we give serious consideration to the resourcing of this programme, pursuing the maximisation of grant funding and keeping a watching eye on the level of capital receipts resulting from our regeneration schemes for both housing and general fund. It is likely that, in the next two to three years and in the context of the Fairer Future medium term financial strategy and integrated efficiency plan, the council will take advantage of prudential borrowing (at a time of low interest rates) to fund this visible investment in our borough – making Southwark a place to be proud of.

## **RECOMMENDATIONS**

That cabinet:

1. Approves the virements and variations to the general fund and housing investment capital programme as detailed in Appendix C.
2. Approves the inclusion in the programme of the capital bids set out in Appendix E, supporting the delivery of the council plan themes totalling £131.766m (£118.056m General Fund and £13.710m Housing Investment Programme).

3. Notes the projected expenditure and resources for 2016-17 and future years for both the general fund and housing investment programmes as detailed in Appendices A, B and D as at Month 5 2016-17 and that this position will be updated during the year as more up to date information becomes available.
4. Notes the resulting general fund capital programme for the period 2016-17 to 2023-24 as at Month 5, as detailed in Appendices A and D.
5. Notes the substantial funding requirement of £201.952m which needs to be identified for the general fund programme in order for this to be fully delivered, as summarised in Appendix A.
6. Notes the resulting housing investment programme for the period 2016-17 to 2023-24 as at Month 5 2016-17, as detailed in Appendix B.
7. Notes the significant funding requirement of £180.940m which needs to be identified for the housing investment programme to be fully delivered.

## **BACKGROUND INFORMATION**

8. On 25 March 2015 the capital programme was refreshed for the period to 2023-24. The 2015-16 capital outturn report was presented to the cabinet on 19 July 2016. This reported the capital outturn position of £70.7m on the general fund programme and £243.6m on the housing investment programme for the financial year 2015-16.
9. At that meeting, cabinet approved the re-profiling of expenditure and resources for the financial year 2016-17 and future years in light of the 2015-16 outturn position for both the general fund and housing investment programme. Cabinet noted that further re-profiling would be required during 2016-17 based on more up to date information becoming available.
10. The total programmed capital expenditure for general fund is £646m budgeted over the period 2016-17 to 2023-24 for general fund. The housing investment programme is forecasting a total expenditure budget of £1,161m over the programme from 2016-17 to 2023-24.
11. The scale of the capital programme is immense representing 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 do business in the borough.
12. 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. Actual resources may also vary to the plan, due to, for example, a delay in the sale of a property, or an external development with s.106 or CIL obligations not being brought forward as quickly as anticipated.
13. Historically the capital programme has been over-programmed in year to compensate for these variations, whilst retaining a balanced programme over the entire 10-year life of the programme. However, the council now faces a position where planned spend is considerably in excess of forecast resources, not only in

year, but also over the life of the programme.

## **KEY ISSUES FOR CONSIDERATION**

### **Programme position at Month 5 2016-17**

#### **General fund**

14. The forecast spend for 2016-17 for general fund is £162.026m against a plan of £186.741m. The month 5 capital monitor report indicates that expenditure of £27.4m was spent to date (17% spent).
15. The forecast resources are £61m against a planned resource of £186.7m. This is to be explored further to ensure that the estimated capital receipts in year are achieved.
16. The current position shows a substantial gap of £100m between planned spend and available resources, which will need to be monitored very closely over the rest of this financial year, with action taken to balance the position. A further report will be presented to cabinet in February 2017.
17. A summary of the general fund programme position is attached at Appendix A, as at month 5 of 2016-17. The summary position and the programme by department are reflected in the narrative below and in Appendices A (overview) and D (project detail).
18. Appendix C shows the budget virements and variations arising at month 5 of 2016-17 for approval by cabinet including increases to the capital programme as a result various capital projects described in the departmental narratives below totalling £118m.
19. Appendix E details a list of capital programme bids to support the delivery of the refreshed council plan to deliver a fairer future for all. Departmental narratives provide further detail on these bids. This is summarised in Table 1.

#### **Housing investment programme**

20. The forecast total expenditure for 2016-17 is £221.309m, which is as planned at the start of the year. The spend to date is £51.813m (23%).
21. The forecast resources are £147.3m, as planned at the start of the year.
22. The current position shows a significant gap of £74m between planned spend and available resources. Action to bridge this gap, including borrowing, will be considered over the rest of this financial year. A further report will be presented to cabinet in February 2017.
23. Appendix B provides a summary of the housing investment programme position as at month 5 of 2016-17; with further detail provided in paragraphs 84 to 109.
24. Appendix E includes a capital programme bid for £13.710m as detailed in paragraph 83 for Leathermarket, providing quality affordable homes within the borough.

## Capital programme bids

25. This report contains a number of capital programme proposals including augmentation of decisions already taken at cabinet in addition to new capital bids. These bids contribute to delivering the council plan's vision for a fairer future; Appendix E provides the detail of these bids summarised in Table 1 below.

**Table 1: Summary of new bids by council plan theme**

Council Plan Theme	Bid Amount £000			
	2016-17	2017-18	2018-19+	Total
Best Start in Life	4,158	15,403	55,787	75,348
Cleaner, Greener, Safer	192	2,400	-	2,592
Fit For The Future	3,513	8,227	960	12,700
Healthy, Active Lives	6,379	2,818	418	9,615
Quality Affordable Homes	4,248	7,842	10,933	23,023
Revitalised Neighbourhoods	2,004	664	-	2,668
Strong Local Economy	492	5,328	-	5,820
<b>Total</b>	<b>20,986</b>	<b>42,682</b>	<b>68,098</b>	<b>131,766</b>

## Resource implications

26. 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.
27. In addition, the council can make contributions from revenue if available, and may make contributions from reserves
28. Any shortfall in available capital resources, which cannot be funded as above, would need to be funded from borrowing and repaid from revenue contributions to support the debt costs, with consequential impact on the revenue budgets for the life of the debt repayment.
29. 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 revenue cost pressures facing the council over the next three years are set out in the "Revenue Monitoring Report incorporating updated Medium Term Financial Strategy and Treasury Management 2016-17" also to be considered at this cabinet meeting.
30. During the financial year, the level of resources (such as capital receipts received and s106 agreed by planning committee) are monitored and applied as

appropriate to schemes in 2016-17. 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 in advance of incurring borrowing costs.

31. 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.

### **Resourcing overall programme**

32. Overall there is a shortfall of available funds of £201.952m to meet the general capital programme commitments. This is a significant increase from £98.3m at outturn 2015-16. This increased shortfall reflects the impact of the new capital bids. This will require careful monitoring of commitments and a drive to secure the forecast capital receipts and other resources as planned over the rest of the financial year.
33. There is a shortfall in available funding to meet the ambitious housing investment programme of £180.9m. This shows a slight improvement from £254.5m at outturn 2015-16. As above, the council will continue to work to identify ways to deliver and finance our council plan commitments.
34. The amount and timing of any new borrowing to finance the council's capital investment plans will be included within the Treasury Management Strategy to be considered by council assembly in February 2017. Consideration is being given to the transfer of general fund debt to support the HIP this year, as up to £98m was made available as part of the approved 2016-17 treasury management strategy. This would not involve the council taking any new loans immediately but would ensure the council as a whole does not suffer a significant financial loss by borrowing money before it is actually needed.

### **Departmental updates**

35. The sections below provide commentary on the budget position by department for 2016-17.

### **General fund (Appendix A)**

#### **Children's and adults' services**

36. In summary, the capital programme forecast across children's and adults' services for the period 2016-17 to 2023-24 is £267.406m. The forecast for 2016-17 expenditure is £77.993m.

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

37. The capital programme forecast for 2016-17 to 2023-24 is £241m. The forecast for 2016-17 is £70m and consists mainly of the £59m Schools Expansion Programme.

38. In 2016-17, additional temporary and permanent places will be provided at Robert Browning, Bellenden, Ivydale, and Redriff primaries, and again at Charles Dickens, Keyworth, Albion, Crawford, and Bessemer Grange primaries to provide temporary and permanent reception places for this academic year.
39. Capital bids totalling £72m have been submitted to support a “better start in life” council plan commitments. This includes the need for £35m further primary school expansion (including for Special Educational Needs) to meet the promise of “a guaranteed local primary place for every child”.
40. In addition, to ensure that our schools provide a “Warm, Dry, Safe” environment to learn £3.5m (£35m over 10 years) is proposed to spend on planned preventative maintenance programme for primary schools. Further to ensure that pupils can receive the right support in the borough it is proposed to expand the provision of autism spectrum disorder bases in secondary schools and invest in the Southwark Inclusive Learning Service (SILS4) building.
41. Further, it is proposed to include £5m as a capital bid for the creation of the Passmore Centre in partnership with London South Bank University. This will be a hub of the new Institute for Professional and Technical Education (IPTE) and support delivery of key Council Plan commitments including the creation of 2000 apprenticeships to support the council’s plan for a “strong economy”. A report will be submitted to cabinet once the details of the proposal have been finalised.

#### **Adults' services**

42. The capital programme forecast spend for the period 2016-17 to 2023-24 is £21m. The forecast spend for 2016-17 is £8m and consists mainly of the Orient Street respite care home refurbishment and the conversion of Half Moon Lane to supported accommodation for Learning Disabilities clients.
43. Capital bids totalling £8m have been submitted which includes: £3m to fund conversion of four properties into self-contained flats for Learning Disabilities clients increasing the bed spaces by 40% and £2.4m to develop the day centre at the Centre of Excellence to support our most vulnerable residents to lead and enjoy independent lives. Further, to ensure the council is fit for the future, proposals for £2.7m are included to develop more efficient office accommodation at Castlemead, and for ICT investment.

#### **Southwark schools for the future (SSF)**

44. The capital programme forecast for the period 2016-17 to 2023-24 is £12m. The forecast for 2016-17 expenditure is £2m.
45. The final stage of the SSF programme will be the Southwark Inclusive Learning Service (SILS) Key Stage 3 and 4. Estimated spend of £8m has been included for this purpose whilst plans are being drawn up. The anticipated costs can be contained within the existing identified SSF programme budgets.

## **Environment and leisure**

46. The total spend for the departmental capital programme for the period 2016-17 to 2023-24 is £106m. The latest projected spend for the year is estimated to be £21.7m compared to a plan set at the start of 2016-17 of £33.0m. The programme has been re-profiled in line with the projected expenditure for 2016-17 and future years. The progress of major schemes is outlined below.

## **Highways**

47. The Highway Asset Investment Programme (non-principal and principal roads) is forecast to spend a total of £5.9m against a plan set at £9.8m. On-going issues with contractor performance are resulting in a reduced forecast. The issues are being addressed however long lead-in times for highways works will prevent spend being accelerated further in the current year.
48. Cleaner Greener Safer Programme is forecast to spend £2.3m as per plan and deliver 230 individual projects.
49. It is proposed that from 2016-17, the devolved community council funding element of the non-principal road investment programme of £800k per annum be increased in scope to become a local highway and streets improvement fund to allow community councils to spend the funding on local priorities for street improvement such as traffic calming or cycle parking rather than only for like-for-like maintenance replacement. It is anticipated that this will enable the fund to meet community council priorities more effectively and therefore reduce delays in expenditure.
50. The expenditure on the cycle infrastructure fund is forecast at £250k towards implementation of the Southwark Spine route. This is a reduction from the plan set initially and reflects the prioritisation of TfL funding which is tightly time-limited and the council's continued ability to attract additional external TfL funding due to good delivery performance. The 20mph programme expenditure is forecast at £100k on design work for phase 2, with implementation programmed for 2017-18.
51. A capital bid has been submitted for £1.59m for the replacement of St Saviour's Dock footbridge. This follows a principal inspection which identified a number of serious defects which prevented the bridge from operating and recommended replacing it as the only way to restore the bridge to a fully operating condition.

## **Parks and leisure**

52. The implementation of the cemetery strategy continues in order to create further burial spaces and make associated infrastructure improvements. Both cremators have now been replaced and the new pair is now operational. Despite having planning permission, site work for Area Z and D1 is on-hold whilst the Diocese of Southwark makes a faculty decision. This decision was expected in winter 2015, then spring 2016 and is now expected in autumn 2016. The delay and absence of a decision creates uncertainty about the level of spend on these projects and the 2016-17 forecasts have been reduced accordingly. Site investigations and consultation in Area B has been completed and revised designs and cost plans are currently being produced with a view to submitting a planning application in

the autumn.

53. Southwark Athletics Track and Centre: The track was completed in May 2016. The planning application for the centre was delayed due to the need to identify a design which was within budget. This has now been achieved and the planning application has been submitted but there is no further spend forecasted due to the need to implement the tender process following planning approval. The remaining forecast spend for 2016-17 will need to be re-profiled into 2017-18 when construction is scheduled. There is also the need to undertake a feasibility study to identify the capacity required to service the electric supply for both the centre and the floodlights on the track.
54. Seven Islands Leisure Centre: Works start in August 2016 to upgrade the reception and entrance, install lift, pool hall upgrade, changing room refurbishment, sports hall refurbishment and converting meeting room to exercise studio and replace the pool pipes. The approved tender was under the forecasted spend for 2016-17 resulting in the variation presented. The variance is profiled across future years to meet the contractual requirements for repairs and maintenance and contingency for potential building issues.
55. Peckham Pulse Centre: A master plan for the centre has been developed which has been agreed with our new Leisure Management Contractor with a view to working in partnership to get best value from these works. Procurement is underway and works are scheduled for completion by the end of January 2017.
56. Homestall Road: The planning application for the building was delayed due to the need to identify a design which was within budget. This has now been achieved and the planning application has been submitted but there is no further spend forecasted due to the need to implement the tender process following planning approval. The remaining forecasted spend for 2016-17 will be re-profiled into 2017-18. The works are due for completion in late spring 2017.
57. Major Parks: Burgess Park projects are being progressed including the Burgess Park West project which has been submitted to planning. The programme was delayed by two months due to the need to identify a design and associated funding which met the council's strategic needs as well as cater for the feedback received from consultation. The forecasted spend for the anticipated construction at the end of 2016-17 will be re-profiled into 2017-18 as this is now scheduled to start in May 2017. The scheme will include a new play area, an increased area for ecology, cycle routes and a new welcoming entrance. Other projects include new toilet provision and a repair to a significant wall within the park. Southwark Park master plan is progressing well in that the planning application for the new building has been submitted.
58. A total of £4.2m capital bids are proposed to support Southwark residents to lead healthy active lives as set out in paragraphs 59 to 61 below.
59. The new Parks Grounds Maintenance Service contract for an initial seven year period was awarded on the basis that the council would provide capital for the purchase of all vehicles and major plant items to the value of £1.179m in order to reduce the revenue cost and achieve the identified savings on the contract.
60. Cabinet are requested to approve the allocation of £2m capital towards the



design and implementation of much needed accessible sport and play facilities for young people in Burgess Park. The area to be considered includes the existing adventure play building and structures and the under used area around the BMX track. The funding will contribute to the delivery of the key outcomes set out in the emerging strategy for universal services for children and young people in that the project will replace the existing limited accessible play facility with a top quality and fully accessible sport and play facility.

61. Cabinet are requested to approve the allocation of £1.2m capital to assist in the delivery of the top quality playground council plan target. The capital investment would result in the redesign and upgrade of two playgrounds in Leyton Square and Southwark Park. These playgrounds will be designed in conjunction with stakeholders to become neighbourhood-scale top quality playgrounds.

### **Libraries and heritage**

62. Nunhead library celebrates its 120<sup>th</sup> anniversary in 2016. The library is in need of maintenance improvements, redecoration and updated shelving and layout and updated IT provision. A virement of £100k capital funds is requested to be allocated from other underspent capital areas in libraries section to undertake this work. Refurbished library will provide an improved service for users of all ages which will be in line with service offer at other libraries across the borough. Refurbishment also provides an opportunity to attract new users and partners from the local community and increase overall take-up of service promoting social inclusion, digital literacy and reading initiatives. Improving the library is a fitting way to mark the anniversary.

### **Service development**

63. Pending successful feasibility calculations, a project to install new LED lighting throughout the 160 Tooley Street site is scheduled for delivery in 2016-17, with a predicted cost of around £220k. From a wider point of view, 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 early 2017.

### **Chief executive's department**

64. The total planned capital spend for the department over the period 2016-17 to 2023-24 is £177m. The latest capital monitor is currently projecting expenditure of £47m in 2016-17 with the remaining spend profiled in the following years. This is a preliminary forecast and project managers are currently reviewing the progress of the schemes against the profiled spend and a more up to date position will be reflected in the next capital monitor report to cabinet.
65. 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.
66. 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 and Castle, Camberwell and other parts of the borough.

67. Performance thus far in 2016-17 has been steady with expenditure of £7.6m at the end of first 5 months (August 2016) against the forecast spend of £47m for 2016-17. Work is continuing on the delivery of key community projects with the completion of a new leisure centre in Elephant and Castle which opened in May 2016. The leisure centre features a 25 metre six-lane swimming pool, learner pool with moveable floor, sauna and steam rooms, a sports hall, fully equipped gym and dedicated spinning studio, two exercise studios plus a crèche and café. The state of the art centre will also offer free wi-fi and full disabled access and specialist equipment throughout.
68. The other major capital project at Elephant and Castle is the regeneration of the Walworth Town hall which was badly damaged by fire in 2013 and Newington Library/Cuming buildings. The stage 2 cost appraisal reported that the scheme which would meet the council's vision agreed in July 2013 in providing space for a library, Southwark museum, community meeting space and registrars service would cost around £35m which was significantly in excess of the agreed budget of £20m. As a consequence of the budget shortfall, further consultation has been undertaken with the community to review options for taking the project forward. There will be a further report to cabinet by the end of the year on a proposed way forward.
69. In Peckham town centre, key projects are scheduled to start on site this year. Following recent planning approval, the creation of a new square at Peckham Rye Station and the construction of Peckham Palms will commence. The new home for Mountview Academy of Performing Arts is expected to start on site by the end of 2016. The budget requirement is expected to be updated in the next capital monitor when increased cost certainty will inform the likely draw down on the facilities agreement.
70. Further work in Peckham will see new facilities in Peckham Rye Park and Common. Work to replace the existing car park has commenced and once completed, this will allow a new children's play area to be created on the site of the car park. A new play room and changing room facilities will replace the old and dilapidated facilities, and this work is scheduled to start in early 2017.
71. The planning division comprises transport planning and planning projects. It has a planned spend of £13.2m in 2016-17 with the total planned spend of £21.8m profiled over future years. The transport planning budget is largely funded by Transport for London (TfL) to deliver transport improvement programme as contained within the borough's transport plan. Planning Projects budget is funded in part 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.
72. The regeneration division comprises four project areas: Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services. It has a planned spend of £24.8m in 2016-17 with the total planned spend of £98.2m profiled over future years.

73. The departmental spend also includes the s106/CIL contribution from the council to TfL towards the strategic transport improvements project in Elephant & Castle.
74. There are several transport projects funded by Transport for London and these are shown in Appendix C for formal approval. Some projects funded from S106 funds approved by planning committee under the revitalise neighbourhood theme are also included in Appendix C.

### **Housing general fund and modernisation**

75. Overall the total value of the Housing and Modernisation general fund capital programme for the period up to 2023-24 is £85.2m. The forecast spend for 2016-17 is currently shown as planned at £13.5m, with £1.0m spent at month 5. This includes the additional £3m commitment approved by cabinet in July to Leathermarket CBS for the new build development at Kipling Estate garages. Further scheme detail is provided below.

### **Traveller sites**

76. The Ilderton Road budget has been transferred from Regeneration to the Travellers Service and following a decision to undertake the health and safety works to the rear bank a structural survey has been commissioned which will better inform the extent of works required and potential cost, which may be greater than the planned spend of £300k.
77. The Springtide site refurbishment works are in the process of being commissioned and are expected to complete this financial year. It is possible that the full £100k budget may not be required and could be vired to support the Ilderton Road project as above.

### **Affordable housing**

78. This relates to the final Elephant and Castle off-site housing development. The remaining £1m budget is for the completion tranche to Guinness Housing Association for the provision of affordable housing on the Stead Street car park site. Completion is expected in 2016-17.

### **Modernisation**

79. Information technology remains a critical component of the council's strategy to transform the way it delivers services and there is an acceptance that long-term capital investment is essential to drive and support that transformation. In recognition, there is a bid for a further commitment of £2m per annum between 2017-18 and 2021-22 for this purpose, giving an overall allocation of £18.2m up to 2024-25. The current expenditure profile will evolve in line with the development of the IT strategy and service requirements, and taking account of tenders received in the current procurement project.
80. Over the medium-term, facilities management will deliver a comprehensive planned preventative maintenance and compliance programme for the council's operational estate.

81. Both IT and facilities management constantly need to re-evaluate the detail of their planned expenditure over the life of the existing programme, but for 2016-17 the forecast expenditure represents projects that the council is already committed to delivering in the shorter term.

### **Housing renewal**

82. The Disabled Facilities Grant (DFG) programme has to date committed schemes of £313k with 25 completions. The 2016-17 DFG subsidy allocation received from the Better Care Fund increased from £613k to over £1.1m with an overall budget of £1.9m. This will give scope to undertake more complex adaptations at the statutory maximum and approve an increased number of more common adaptations such as wet rooms and stair-lifts.

### **Leathermarket**

83. Cabinet in July 2016 approved grant funding to the Leathermarket Community Benefit Society (CBS) to build 27 properties at council rent levels on the Kipling Estate garage site. Contributing to the council plan commitment to provide quality affordable housing in the borough. The grant of up to £9.3m will be largely funded from section 106 contributions within the HIP, but £3m is required to be funded from other resources. As this is creating an asset outside of the HRA, the expenditure is accounted for in the General Fund capital programme.

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

#### **Overall position including resources**

84. The total value of the Housing Investment Programme for 2016-17 to 2023-24 is £1,161m. The forecast spend in 2016-17 is £221m against an agreed budget of £338m. The change is part of an ongoing programme wide review of budgets profiles and needs. Budgets have been re-profiled to future years or surrendered back to the programme for re-allocation. At the end of month 5, £51.8m has been spent against a forecast of £221m.
85. Resourcing continues to be a difficult task each year, as at month 5, a funding gap of £74m is forecast for 2016-17. With regulatory and financial restrictions on most sources of funding, plans to manage this are outlined in paragraph 34. In the future prudential borrowing within the HRA debt cap may be necessary to address the programme shortfall of £181m.

#### **Investment in existing stock**

86. At the end of 2015-16 over £400m had been spent on the warm dry and safe (WDS) programmes. In 2015-16 £130m was spent on WDS, with spend now being committed against the £985m capital bid allocation. The 2015-16 year was likely to be the highest investment in existing stock in the council's history. By March 2016 a 90% decency target was achieved.
87. All WDS 2012 major works schemes are completed. 19 schemes completed in Quarter 1. Five further schemes started in Quarter 1 of 2016-17 with a further 14 to start in Quarter 2 or 3. Spend to the end of Month 5 was £28.3m and is forecast to be £87.3m for 2016-17.

88. Vauban and Neckinger Estates environmental works are on site and scheduled to complete this financial year.
89. Leathermarket JMB is responsible for capital investment on annual renewal works to its stock, financed from the rent income element of its allowance. This annual expenditure on HRA assets is accounted for as part of the HRA capital programme.
90. Other notable schemes in progress include:
  - Four Squares (HINE), which is expected to complete this financial year
  - Maydew, which is likely to now start on site in 2017-18
  - Portland, which is on site and is forecast to complete in 2018/19
  - Lakanal refurbishment and Undercroft, which are on site and due to complete this financial year.

### **Future years budgets: Quality Homes Investment programme (QHIP)**

91. The asset management strategy was approved by cabinet in March 2016. It outlines a future investment requirement of £797m over the next 8-10 years from 2016-17, including the residual WDS programme commitments. The QHIP is agreed on an annual basis, with £48.3m approved for 2016-17.
92. Whilst works to this value are likely to be substantially committed during the second half of the year, it is expected the profile of expenditure will fall over the current and next financial year, which will assist in managing the HIP cash flow. So far one scheme has been committed and there are also some on-going works programmes subsumed within the overall QHIP allocation. Spend to the end of Month 5 was £0.6m.

### **Regeneration schemes**

#### **East Dulwich estate**

93. 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.
94. The conversion of 18 drying rooms in Phase 1 and Phase 2 have been completed for private sale. Phase 1 included the creation of 9 units which have been sold as have 7 units from Phase 2, the remaining 2 are under offer. There is also an opportunity to convert a further 6 drying rooms with the completion of feasibility studies, and work should commence in quarter 4.
95. Health and safety works have now been completed. The environmental works programme is expected to start in January 2017.

### **Elmington estate phase 3**

96. Site C and D was handed over to the developer in February 2016 and all blocks demolished. Construction period is 24 months from Quarter 3 in 2016-17. Site E was handed to the developer in April 2016 and all blocks demolished. Construction period is 24 months from Quarter 3 or 4 in 2016-17.
97. At site G, all secure tenants and temporary occupants have been relocated and these units welded. There are six remaining leaseholders including three leaseholders who are resident, with two deemed eligible for rehousing to the Piper Court development, and three non-occupier leaseholders, two with tenants in-situ. Tenants have been advised to seek advice and assistance for rehousing from Bournemouth Road housing office. The construction programme, following demolition to be approved, is expected to be 24 months from Quarter 1 2017.

### **Wooddene and Acorn estate energy centre**

98. This involves re-provision of a heat and hot water plant within the Wooddene energy centre to serve the Acorn estate. The contract was awarded to Vital Energi Utilities Ltd, starting in August 2016 and due to complete in January 2017.

### **Regeneration north**

99. As part of the Elephant & Castle regeneration the council is constructing a new Crossway's church on land to the south of Strata Tower for the United Reformed Church [URC]. This project will provide a replacement facility in order to compensate the URC for the loss of their existing premises which will be demolished as part of the redevelopment of the former Heygate estate. The new building is expected to be completed by the end of the year. The only other remaining costs arising from the Heygate redevelopment are those associated with outstanding acquisition costs which are the subject of lands tribunal decisions and sub stations.

### **New homes programme**

#### **Hidden homes – refurbishment**

100. Two Hidden homes are currently on site and due to complete in Quarter 2. In addition, a further 11 have planning approved and are being progressed using existing budgets. These schemes will commence on site in 2016-17.

#### **Direct delivery**

101. Seven Direct Delivery schemes are on site and due to complete in the second quarter of 2016-17. The seven sites are located at Long Lane, Masterman House, Clifton Estate, Gatebeck and Southdown on the East Dulwich Estate, Cator Street and Nunhead Green site B.
102. The estimated cost of the works to these seven sites is approximately £42.3m. Part funding is from £27m from S106 Affordable Housing Fund, subject to Planning Committee approval, GLA grant (Building the Pipeline) £1.9m, and £8.7m from the part of RTB receipts set aside for new build. The balance is to

be met from an estimated £4.3m from sales (none to date) and from other capital resources.

103. Sumner Road has also started on site and is due to complete in 2018 with a Gateway 2 value for the main works of £19.7m plus £0.4m for enabling works.
104. Detailed design work is underway on a further 13 schemes with planning likely to be submitted in Quarter 3 of 2016-17. Spend to date on these schemes is limited to fees. A further eight sites have been approved for inclusion in the programme, and planning is likely to be submitted in Quarter 4 of 2016-17.
105. The programmes spend for 2016-17 was £6.3m at month 5. Forecast spend is £25.9m for 2016-17.

#### **Purchase of new homes from developers**

106. Deposits have been committed following exchange on the two purchase schemes reported in the Quarter 3 Capital Monitoring report to Cabinet in February 2016, at Salter Road (provisionally 24 social rented and 10 intermediate sale units) and Blackfriars Road (provisionally 56 social rented units).

#### **Southwark Regeneration in Partnership Programme**

107. The Southwark Regeneration in Partnership Programme (SRPP) initially comprised 18 sites with the potential to deliver over 500 new council homes of which up to 288 could be delivered within the 2018-19 programme year. The sites were tendered in two lots (Lot A and Lot B) through the London Development Panel Framework.
108. Unfortunately there were no bidders for Lot A. Feedback from some of the shortlisted bidders indicated the number and variety of sites included in the package increased the technical complexity and market risk of the contract. As a result, Lot A will be re configured into smaller, more manageable sites and retendered. Revised tenders are expected to be issued from November 2016.
109. In September 2016, cabinet approved the award of the contract for Lot B to Affinity Sutton Homes Limited. The contract aims to deliver 606 new homes of which 284 will be council owned. The contract is for a period of 10 years commencing October 2016.

#### **Community impact statement**

110. 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.
111. 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.

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

### **Resource implications**

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

114. As highlighted in the resourcing paragraphs 32 to 34 there is a considerable shortfall in resources to deliver the programme in year, and over the life of the programme.

115. 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**

116. The legal implications of this report are identified in the concurrent report of the Director of Law & Democracy.

### **Financial implications**

117. This report fully explores the financial implications of the capital programme for the general fund and the housing investment programme at month 5 of 2016-17. The report also presents an updated position on the refreshed capital programme over the period 2016-17 to 2023-24 on the predicted resources and expenditure across this period.

### **Consultation**

118. 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**

119. 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.

120. 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
Capital Outturn Report for 2015-16 and Capital Programme Refresh for 2016-17 to 2024-25	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Fay Hammond, Departmental Finance Manager, Finance and Governance
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/documents/s62930/Report%20Capital%20outturn%20and%20refresh.pdf">http://moderngov.southwark.gov.uk/documents/s62930/Report%20Capital%20outturn%20and%20refresh.pdf</a>		

## APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at month 5 2016-17
Appendix B	Housing investment programme summary monitoring position at Month 5 2016-17
Appendix C	Budget virements and variations at month 5 2016-17
Appendix D	General fund capital programme – 2016-17 month 5 report
Appendix E	Capital programme month 5 2016-17 - new bids for approval

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Fiona Colley, Finance, Modernisation and Performance	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Fay Hammond, Departmental Finance Manager, Finance and Governance	
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<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 Law and Democracy	Yes	Yes
Strategic Director for Finance and Governance	N/A	N/A
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		21 October 2016