

Item No. 14.	Classification: Open	Date: 18 July 2017	Meeting Name: Cabinet
Report title:		Outturn Capital Monitoring for 2016-17 and Capital Programme Refresh for 2017-18 to 2026-27	
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

As ever the Council's capital programme has continued to deliver major investments and improvements into our borough.

At the end of the financial year the work funded by the Housing Investment Programme meant that a record 93% of our council homes hit the decent homes standard. £45m has been invested in school expansions so that we can provide the local school places parents want. Leisure centres like Seven Islands and Peckham Pulse have seen considerable improvements and the 120 year old Nunhead Library had a much needed refurbishment.

I would like to highlight to Cabinet that the Capital Programme, particularly the Housing Investment Programme, may see considerable amendment in the coming months. There can be nothing more important than ensuring our council homes are safe and we will take action to make resources available for fire safety works in accordance with the recommendations of the review of fire safety.

RECOMMENDATIONS

That cabinet:

1. Approves the virements and variations to the general fund and housing investment capital programme as detailed in Appendix C.
2. Approve the inclusion in the programme of the capital bids set out in Appendix E,
3. Notes the outturn 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 12 2016-17.
4. Notes the resulting general fund capital programme for the period 2016-17 to 2026-27 as at year-end, as detailed in Appendices A and D.
5. Notes the substantial funding requirement of £313.676m for future years 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 2026-

27 as at Month 12 2016-17, as detailed in Appendix B.

7. Notes the significant funding requirement of £211.1m which needs to be identified for the housing investment programme to be fully delivered over the 10 year programme.
8. Notes that any potential demand on the capital programme arising as a consequence of local or national demands for resources following the Grenfell fire are not included in this report.
9. Notes that in the event of additional resources being required that the Leader delegates responsibility to the strategic director of finance and governance (in consultation with the cabinet member for finance, modernisation and performance and the cabinet member for housing) for identifying resources to be made available in a timely way
10. Note the update on local community infrastructure levy set out in paragraphs 45 and 46.

BACKGROUND INFORMATION

11. This report sets out the outturn position for the general fund and housing investment capital programme for 2016-17. On 7 February 2017 the forecast as at month 8 was presented including growth bids totalling of £34.662m.
12. The total programmed capital expenditure for general fund is £698m budgeted over the ten year period 2016-17 to 2026-27 for general fund. The housing investment programme is forecasting a total expenditure budget of £1,326.79m over the ten year programme from 2016-17 to 2026-27.
13. 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.
14. 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 s106 or CIL obligations not being brought forward as quickly as anticipated.
15. Historically the capital programme has been over-programmed in year to compensate for these variations, whilst retaining a balanced programme over the entire ten 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

16. In meeting the council's fairer future promises the council made a total of £252m capital investment during the 2016-17, comprising of £98.89m General Fund and £153.1m Housing Investment Programme.
17. The outturn expenditure position was lower than the month 8 forecast by 22%

(General Fund – £138.1m and Housing Investment Programme - £195.5m), however, there was an increase on the general fund capital expenditure when compared to 2015-16 of 29%.

Fire safety

18. Despite significant investment in fire safety since Lakanal House fire in 2009, the Grenfell fire tragedy will require local scrutiny of fire safety measures not only for the housing investment programme but more widely across council services. The council will continue to take a positive risk assessed view of the need to invest in fire safety and will continue to make resources available as a high priority to safeguard tenants and residents. Refer to paragraphs 104 to 108 providing additional detail on the current capital programme fire safety prevention measures expenditure.
19. The programme will also need to be reconsidered alongside any future changes to government regulations in respect of council housing and other council amenities. Work to assess the financial impact of any necessary works on the capital programme will continue to be reported to cabinet as a priority.

Capital expenditure in 2016-17 by service department:

Department	Budget £'000	Actual £'000	Re-profiling to future years £'000
Children's and Adults' Services	101,508	51,257	(50,251)
Southwark Schools for the Future	3,311	1,334	(1,977)
Environment	21,067	17,164	(3,903)
Housing & Modernisation	10,812	7,009	(3,804)
Chief Executive	38,106	22,126	(15,980)
Total General Fund	174,804	98,890	(75,915)
Housing Investment Programme	203,408	153,079	(50,329)

Key capital achievements 2016-17

20. The 2016-17 capital programme has successfully delivered the fairer future promise, these are listed under the council themes below:
21. Quality affordable homes - We will improve housing standards and build more homes of every kind including 11,000 new council homes with 1,500 by 2018. We will make all council homes warm, dry and safe and start the roll out of our quality kitchen and bathroom guarantee.
 - Through our Warm, Dry and Safe programme we have invested over £62m in improving our existing housing stock in 2016-17, leading to the installation of new kitchens and/or bathrooms in 1,130 council homes in this year alone
 - Our investments have led to over 93% of homes being classed as “Decent” at March 2017, in excess of our target of 90%

- Conversion of Half Moon Lane to supported accommodation for learning disabilities clients
 - 129 new council homes were built in 2016-17 which brings the total number of completions since 2011 to 291
 - The total for 2016-17 for the Direct Delivery Programme consisted of expenditure amounting to £19.9m.
22. Best start in life - We believe in giving all our young people the best start in life. We want them to be in safe, stable and healthy environments where they have the opportunity to develop, make choices and feel in control of their lives and future. We will offer our young people and families, including those who are more vulnerable or have special educational needs, the right support at the right time, from their early years through adolescence and into successful adult life.
- In 2016-17 £1.05m continued capital investment on the ARK All Saints Academy (Secondary school) project and the new Sports Hall.
 - £45m has been spent in 2016-17 on school expansion to ensure the availability of school places.
 - £3m has been spent on maintaining school buildings to ensure that pupils work in a safe environment to support learning.
 - Planned for 2017-18 is the final stage of the SSF programme will be the Southwark Inclusive Learning Service (SILS) Key Stage 3.
 - In addition, the plan for opening new secondary schools to meet demand including on the Dulwich Hospital site in East Dulwich is planned in 2017-18.
23. Strong local economy - When our economy is strong, then all our residents benefit. It brings more opportunities for people in Southwark to find work, get into training and achieve their aspirations. We want our town centres and high streets to thrive. We want to make Southwark the place to do business in a central London and a global economy, where business owners know this is the borough where their enterprises will grow and prosper.
- In 2016-17 the council delivered 544 apprenticeships, bringing the total to 1,184 since April 2014. These were mainly generated through direct delivery and supply chain partnerships, commissioning and s106 agreements.
 - Investment in Eagle Wharf through the facilities agreement with Mountview includes a package of community benefits when the school is open in September 2018.
 - The High Street Challenge invested over £67k in projects to help improve town centres in creative and innovative ways in 2016-17, and we've delivered 143 new affordable work spaces for small businesses.
24. Healthy active life - For people to lead healthy lives, we need to tackle the root causes of ill health and reduce the inequalities that limit the lives of too many in our

society. We will work to reduce health inequalities and improve people's lives; for example, by making all council homes warm, dry and safe and by building quality new homes, we are helping people to live healthier lives. We will work with residents and our partners to build resilient communities, extending opportunities to all to maintain and improve their health and wellbeing.

- Expenditure on leisure in 2016-17 amounted to £2.03m with a number of successful, high profile projects completed including Seven Islands Leisure Centre.
 - Refurbishment of Peckham Pulse final phase is now complete
25. Cleaner greener safer - We want people to feel safe in their borough, to walk down clean streets and to know that their borough is leading the way when it comes to things that matter like recycling and reducing landfill waste. With local people our aim is to deliver the very best so the borough is clean, green and a safe place to be.
- £1.1m expenditure contributed to the significant progress made towards implementing the programme of improvements to open spaces within the Elephant & Castle opportunity area.
 - Capital expenditure of £770k was spent on St Mary's Churchyard phase 2 works including new water features which have been completed and are open to the public.
 - The total amount spent on the Cleaner Greener Safer (CGS) amounted to £2.04m which consisted of a number of projects.
 - This year 25 of our parks achieved Green Flag status, placing Southwark second amongst London local authorities with the most Green Flags and third nationally.
 - The Burgess Park lake toilets were completed and the new look gardens at Nelson Square opened to the public as we continue to invest in our parks.
26. Revitalised neighbourhoods - We are a borough with a proud heritage and a great future. It's a future filled with potential, with some of the most exciting and ambitious regeneration programmes in the country being delivered right on our doorstep.
- Nunhead library was successfully refurbished to celebrate its 120th anniversary, followed by an internal refurbishment of Kingswood Library and Peckham Library.
 - Capital expenditure of £222k was spent on the Southwark Cycle Spine to compliment the increasing numbers of cycling in Southwark.
 - Capital expenditure of £644k has been used on the Peckham revitalised programme to provide new facilities in Peckham Rye Park and Common. New, relocated car park has now opened, which has allowed work to commence on a new children's play area to be created on the site of the car park
27. Fit for the future - We are a dynamic borough at the heart of London. Ambitious and confident, we want the very best outcomes for our residents. This means leaving no one behind in a fast changing world. We will be a council that is fit for the future with

responsive, digitally enabled services that adapt well to change. Through our digital strategy we will make it easier for residents and businesses on the move to access more services via the web and smartphone.

- Capital expenditure of £2.67m was used on improvements in the councils IT infrastructure and networks to support the efficiency of the councils operation
- £1m was expended on investing in purchasing parks vehicles and equipment as part of the contracting arrangements this decision was made in order to generate revenue savings, ensuring the council makes best use of its resources.
- This report includes a bid for the acquisition of commercial property amounting to £73m. These properties will be used to generate essential income to fund services, in addition, these assets have been selected for their potential to contribute to wider strategic objective to support corporate priorities.

Programme position at month 12 2016-17

General fund

28. The total-spend for 2016-17 for general fund is £98.9m against a plan of £174.8m. (56.6% of the total forecast spend).
29. The variance between planned spend and available resources, was resourced by internal borrowing of £32.8m (paragraph 38 refers).
30. A summary of the general fund programme position is attached at Appendix A, as at Month 12 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).
31. Appendix C shows the budget virements and variations arising at year end of 2016-17 for approval by cabinet.
32. 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

33. The total expenditure for 2016-17 is £153m, against a budget of £203.4m (75% of the total budget); this was fully funded without the need to borrow. Appendix B provides a summary of the housing investment programme position as at month 12 of 2016-17; with further detail provided below.
34. The total forecasted spends for the programme to 2026-27 s £1,326.79m, against total resources of £1115.63m. This variance will need to monitored and reviewed over the course of programme.

Resource implications and financing the capital programme 2016-17

35. 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
36. The strategy for financing the capital programme is to utilise grants, before using council receipts and reserves, thereby minimising any requirements for borrowing which will impact on the council's revenue budget.
37. The 2016-17 general fund and capital programme financing is set out below, and shows that there was a requirement for the use of internal borrowing to meet the needs of the general fund capital programme.

	2016-17 General Fund £000	2016-17 HIP £000
Total Spend	98,890	153,079
Funded by:		
Capital Receipts	26,622	45,171
Major Repairs Reserve		46,778
Reserves	1,791	6,755
Revenue	319	49,204
Capital Grants	30,381	908
Section 106 Funds	6779	4,261
External Contributions	185	
Internal Borrowing	32,813	
Total Funding	98,890	153,079

38. The shortfall in available capital resources, which were not funded as above, were funded from internal 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.
39. The debt management strategy for the council is set out in the council assembly report (12 July 2017 report "The Treasury Management Performance – 2016-17 Annual Report and Prudential Indicators for Capital Finance and Treasury Management report"). The treasury management strategy 2017-18 is to pursue a policy of internal borrowing, which is the use of existing reserves and balances to fund capital expenditure rather than the use of external borrowing.
40. The use of internal borrowing allows the council to minimise unnecessary external borrowing costs by only borrowing when needed for liquidity, or to benefit from advantageous borrowing rates. This approach will continue to be monitored.

Resourcing the 2017-18 programme onwards

41. The make up of the capital programme is significantly influenced by the scale of resources availability from grants, s106, community infrastructure levy (CIL) and

capital receipts and their timing. Over the life of the programme, all commitments must be met from anticipated resources. In the event of any shortfall in resources to fund the programme in any particular year the council would need to consider the use of prudential borrowing to bridge the gap. Alternatively, internal borrowing may be considered should short term cash balances allow.

42. In the current ten year programme included within this report, there is a shortfall of available funds of £313.67m to meet the planned general fund capital commitments. This is a significant increase from £113.5m at outturn 2015-16. This increased shortfall reflects the impact of the new capital bids and continuing review of available resources. Further, there is a shortfall in available funding to meet the ambitious housing investment programme of £211.15m.
43. In addition, proceeds from capital receipts are continually kept under review especially for sales and development agreements. Financing 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. As part of work to review capital financing, a review of s106 is underway to identify where funding that can be appropriately utilised to support the capital programme. This is subject to the agreement of the Planning Committee.
44. 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. Subject to the profile of expenditure, it is unlikely that any external borrowing will be required in 2017-18, although this situation will need to be continually reviewed. Beyond 2017-18, there are likely to be future demands for borrowing and these will be assessed as necessary at the time as part of our Treasury Management Strategy. The timing of any decision to borrow will be mindful of likely future pressure on interest rates.

Local community infrastructure levy update

45. Given the need to ensure that local communities benefit from the Community Infrastructure Levy, Cabinet agreed on 17 March 2015 committing Southwark to spending at least 25% locally, irrespective of whether there is a neighbourhood plan. This funding will be spent on projects contained on a Community Infrastructure Project List. These CIPLs are lists of project ideas proposed by the local community and approved by the relevant community council. Consultation on the CIPLs happens regularly to make sure they are up-to-date and reflect local need.
46. It is proposed that the community councils prioritise projects on the CIPL list, taking account of local need and the council's approved capital programme. A report will then be submitted to cabinet for approval in future capital programme monitoring reports.

Departmental updates

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

General Fund (Appendix A)

Chief Executive's

48. The total value of the capital programme for the department over the period 2016-17 to 2026-27 is £301.6m. Project managers have reviewed the progress of the schemes and budgets have been re-profiled in line with the anticipated spend. The final capital outturn for 2016-17 was £22.1m and the remaining budgets have been profiled to spend in the following years.
49. 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.
50. 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.

Regeneration Division

51. The regeneration division (comprising of 4 project areas namely Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services) has a combined budget of £148.2m with expenditure of £12.5m in 2016-17 and the remaining spend profiled across future years. Budget for regeneration projects is mainly funded by capital receipts to deliver key community and regeneration projects across the borough.

Walworth Road Town Hall

52. The last capital monitor noted that as a result of a significant budget shortfall totalling £15m, further consultation was being undertaken with the community to review options for taking the regeneration of the buildings forward. This exercise identified a preferred option for a phased approach which would achieve the early delivery of a library and heritage display area. This option still required an additional £10m above the £20m already allocated. Due to the continuing constraints on the council's capital programme, this additional funding is not available. A report on this cabinet agenda therefore sets out a revised project mandate which proposes to seek expressions of interest from the market for Arts and Culture D1 uses as a means of taking forward the regeneration of the buildings.
53. The extent to which this approach may require council funding from the allocated budget will be assessed through the marketing process and will be reported to cabinet in a future report. In the meantime, the Project Board has agreed that all facilities management, security and other related costs being incurred for the building will be charged against the current budget.

Southwark War Memorial

54. The council has started to commission the Southwark memorial with input from a

project steering group. Work is on going to incorporate the piece into the Walworth Square designs. Implementation of the public art works is anticipated to take place during 2018-19.

Elephant and Castle Open Spaces

55. Significant progress has been made towards implementing the programme of improvements to open spaces within the Elephant & Castle opportunity area. St Mary's Churchyard phase 2 works which include new water features have been completed and are open to the public. The refurbishment of Pullens Gardens is about to commence on site. Public consultation on the next project at Dickens Square will start this summer.

Aylesbury Plot 18

56. The detailed design of Plot 18 is currently underway. It is currently anticipated that Notting Hill Housing Trust will appoint a contractor and achieve start on site in summer of 2018 and completion in spring 2021.

Eagle Wharf

57. The Facilities Agreement has now been varied and a grant agreement is in place in accordance with the allocation agreed at Cabinet in February 2017. The building contract has now been let with anticipated completion by September 2018.

Peckham Rye Station Redevelopment (Gateway to Peckham)

58. A decision has been ratified by the Secretary of State to enable us to use CPO powers. It is anticipated that a start on site will be made in spring 2018 with completion in spring 2021.

Revitalise Peckham Rye

59. Work is now underway in Peckham to provide new facilities in Peckham Rye Park and Common. New, relocated car park has now opened, which has allowed work to commence on 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 old and dilapidated facilities currently there and the work on these two phases is scheduled to be completed by the end of October 2017. Once the new play area and changing rooms and play room are completed, the old facilities will be demolished and the land returned to common land. This final phase of the project is scheduled to be completed by early 2018. The total budget for this project is now £4.17m and is fully funded following confirmation by cabinet in February 2017.

Elephant and Castle Leisure Centre

60. The Castle Centre celebrated its first anniversary in April 2017 and the centre has proved to be very popular with all age groups. There is a high use of the facilities by local schools, particularly the learner pool for primary age pupils. The surrounding St Mary's Churchyard has now been re-landscaped and this now integrates into the new centre. The Phase 2 works to the centre (mainly highways work) remains to be completed with 4 futures and the council is reviewing its options for the non completion of these works. This does not affect the operation of the centre.

Albion Street

61. The regeneration of Albion Street has been a long term objective of the council since cabinet approved the Albion Street Regeneration in December 2014. Work is currently progressing with the building of the new Albion School which will double its number of pupils to meet local demand. Work will complete in June on St Olav's Square which will create a public square in front of the Norwegian Church. The demolition of 71-73 Albion Street has been completed and the site is currently being used as a builder's compound in connection with the Albion school project. The future use of this site will be the subject of public consultation later this year.

Acquisition of Commercial Properties

62. The council is undertaking a limited programme of commercial property acquisitions this year; primarily to replace investment income foregone when assets have been released into regeneration projects, home building schemes and other disposals from the portfolio. The capital programme has been updated to include the acquisition decisions considered at Cabinet regarding Shand Street/Holyrood Street (21 March Cabinet) and Old Kent Road Opportunity area (9 May cabinet). Further to a limited number of potential future transactions which will be subject to specific reports to Cabinet as these arise. In addition to their primary purpose of generating essential incomes to fund services, the new assets have been selected for their potential to contribute to wider strategic objective to support corporate priorities. An additional budget allocation of £73.865m is needed from council resources to complete these transactions and is reflected in Appendix C for cabinet approval.

Planning and Transport Division

63. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a combined budget of £22.5m with £5.7m spent in 2016-17 and the balance profiled over future years.
64. The transport planning budget of £13.3m 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 £9.2m 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.

TfL Funded works

65. A total of £4.2m was spent by Environment and Leisure department in 2016-17 on TfL-funded transport and highway improvements. This funding included the completion of a range of neighbourhood projects such as Bellenden Road phase 1 and Brayards Road, as well as substantial investment in the borough's cycling Quietway network – Quietway 1 being completed, Quietways 7 and 14 being started, for completion in 2017/18.
66. The latest capital monitor report also includes capital budget variation for projects funded by TfL grants and s106 funds and these are reflected in Appendix C for cabinet approval.

67. The capital programme also includes the remaining s106/CIL contribution of £53.8m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.

Children's and Adults' Services

68. In summary, the capital programme budget across children's and adults' services for the period 2016-17 to 2026-27 is £266m. The outturn for 2016-17 expenditure was £51m.

Children's Services

69. The capital programme budget for 2016-17 to 2026-27 is £245m. The outturn for 2016-17 was £49m and consisted mainly of the £45m Schools Expansion Programme.
70. In 2016-17, additional temporary and permanent places were provided at Robert Browning, Bellenden, and Ivydale primaries, and again at Charles Dickens, Keyworth, Albion, and Crawford primaries to provide temporary and permanent reception places for this academic year.
71. The scale of the schools capital programme and the complexity of the issues involved, for example expanding whilst education is still being provided on site or undertaking the work out of term and/or other site specific factors, are such that significant slippage in the programme can occur and hence the delay of spend to the new financial year. In addition as school expansion and the free school programme are national issues and particularly acute in London, supply side issues can also occur, for example there had been a delay in getting prefabricated materials on site which has delaying the phasing of the programme. In addition, the need for additional places and the statutory requirement are such work needs to be programmed as early as possible to ensure that the provision is delivered on time to meet that need and requirement.

Adult Social Care

72. The capital programme budget for the period 2016-17 to 2026-27 is £21m. The outturn for 2016-17 was £2m and consisted mainly of the Orient Street respite care home refurbishment and the conversion of Half Moon Lane to supported accommodation for Learning Disabilities clients.
73. Centre of excellence - Phase 1 of Cator Street was completed in 2015-16. Phase 1 (extra care sheltered flats) has been built and we have now filled all but around 2 of the extra care sheltered flats. Phase 2 design work is still underway about the design of the next lot of flats and community hub (centre of excellence) to be built. The capital monies not spent relate to Phase 2 which includes the community centre.

Southwark Schools for the Future (SSF)

74. The capital programme budget for the period 2016-17 to 2026-27 is £12m. The outturn for 2016-17 was £1m.
75. The final stage of the SSF programme will be the Southwark Inclusive Learning Service (SILS) Key Stage 3. 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 Social Regeneration (including Leisure services)

76. The total value of the departmental capital programme for the period 2016-17 to 2026-27 is £107.6m. The Departmental Capital Review Board continues to scrutinise and challenges the forecasts of all projects and their profiling at the end of each quarter to ensure the monitors are robust and accurate based on the latest information available. The departmental capital outturn for 2016-17 was £17.1m against the budget of £21.1m giving a favourable variance of £3.9m, which will be re-profiled into 2017-18 and future years.
77. The progress of major schemes is outlined below.

Highways

78. The Highways Asset Investment Programme (non principal and principal roads) was originally forecast to spend £6.6m in 2016-17 of which £5.3m was forecast to spend on non principal roads and the outturn was £4.47m. The difference was due to the delays in the relaunch of the devolved highway programme owing to resource and contractual issues. These issues have now been addressed and this difference will be profiled in the first quarter of 2017-18. This projection is based on a more robust programme from the contractor and this position will be closely monitored during 2017-18.
79. The Cleaner Greener Safer (CGS) programme was forecast to spend £2.3m in 2016-17 on the numerous projects across the borough and the outturn was £2.037m. Although the outturn was slightly under the initial budget set, the programme was successful as it significantly overachieved in terms of scheme completions and the underspend was partly due to delivering projects more efficiently and under budget. Any remaining budgets will be reviewed for reallocation of funds to projects in line with agreed approval process for the CGS programme.

Traded Services

80. Lamp Column Replacement Scheme. These works are carried out as part of the larger investment programme running to 2022. Works completed and ongoing have seen the replacement of lanterns with the highest energy consumption for LED type lanterns and the renewal of lamp columns. The completion of a comprehensive structural testing regime during the year enabled the replacement of safety critical (red or high amber category) lamp columns.

Parks and Leisure

81. 2016-17 was a successful year with a number of high profile projects completed including Seven Islands Leisure Centre, Nelson Square, St. Mary's Churchyard, new cremators at the crematorium and the new toilets at Burgess Park.
82. 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 are now operational with faculty approval been granted by the Diocese of Southwark for the delivery of Area Z and D1. The contract for the delivery of D1 has been awarded and further site investigations have

commended on Area Z. This decision was delayed on more than one occasion which created uncertainty about the level of spends on these projects. The planning application has been agreed.

83. Southwark Athletics Track and Centre: The track was completed in May 2016 and the remaining forecasted spend for 2016-17 has been re-profiled into 2017-18 when construction is scheduled. A contractor has been appointed and works will be taking place over the summer of 2017.
84. Seven Islands Leisure Centre: Works started in August 2016 to upgrade the reception and entrance, install a lift, upgrade the pool hall and some plant, refurbish the wet-side changing rooms, and convert the meeting room into an exercise studio. The works have been completed and the centre is fully reopened and the budgets for 2017-18 and future years have been re-profiled in line with the expected spend.
85. Peckham Pulse Centre: The council has completed the latest phase of refurbishment, with the project jointly funded with the council's leisure provider. Works undertaken include the relocation of the reception, full refurbishment of all changing rooms, relocation of the soft play, expansion of the gym from one floor to two and refurbishment of three studios.
86. 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 planning approval has been granted. The tender process for a contractor has been completed and works are due to start soon. Completion is expected this summer and the projected spend for this project has been re-profiled into 2017-18.
87. Planning approval was granted for both new café building at Southwark Park and the Burgess Park West project. Burgess Park West is scheduled to start on site in the autumn of 2017. The new toilets and associated landscaping of the Cobourg Rd entrance were completed with the toilets now open to the public. The Glengall Garden wall refurbishment was completed in March 2017.

Libraries and Heritage

88. Nunhead library was successfully refurbished to celebrate its 120th anniversary. The refurbishment covered complete redecoration, new windows, new carpeting, new furnishings and fitting and upgraded ICT. The library reopened on 9th December 2016 and the changes have been very well received.
89. Libraries Public Network Remediation: The library service provides a broad range of services to the public including the Peoples Network (PN). This service provides public access computers, printing and scanning in libraries. This includes internet access and office software, in addition libraries use the PN to provide IT training and support to customers helping the council deliver online services and supporting their commitment to digital inclusion.
90. Kingswood Library internal refurbishment works. In December 2016, an inspection of the exterior of the building identified loose bricks in several places necessitating the immediate construction of scaffolding to make it safe. An intermediate solution has been completed to make the façade safe and take down the scaffolding. The interior works has been delayed until its costs together with the cost of the works required to permanently repair the façade are assessed against the current budget available for Kingswood House.

91. Grove Vale Library: Developers began work on the site in March 2017 and have begun working with the library service on the library element. The space will be passed to council “shell and core” and as a consequence budget will have to cover installation of plant and utilities and these costs will need to be reviewed against the current available budget.

Housing General Fund and Modernisation

92. Overall, the total value of the Housing and Modernisation general fund capital programme up to 2026-27 is £85.2m. Programme spend of £7m for 2016-17 is around £3.8m less than originally forecast and comprises programme re-profiling for Leathermarket new build, Brayards improvement zone and infrastructure works to the council's operational estate. In all cases unspent resources will roll forward to 2017-18.

Traveller Sites

93. The programme for traveller sites is £300k with only minimal spend during 2016-17. However, there are a number of health and safety and compliance issues that warrant urgent remedial action and will almost certainly require additional resources over the next 12-18 months. Proposals in this regard will be reported to cabinet at the earliest opportunity.

Affordable Housing

94. The affordable housing programme relates to the final Elephant & Castle off-site housing development. The final tranche of £1m was paid to Guinness Housing Association for the provision of affordable housing on the Stead Street car park site, and the project is now complete.

Modernisation

95. For Information Technology and Digital Services the outturn spend was £2.7m, broadly in line with earlier forecasts. This service remains critical to the council's strategy to transform the way it delivers services. The existing contract for the delivery of an IT managed service is due to cease on 31 October 2017 at which time the council will become part of a shared IT service with the London Boroughs of Brent and Lewisham. This arrangement requires a substantial initial investment to transition Southwark's existing IT infrastructure and applications to the new hosted service. As a result the existing IT capital programme (£18.4m up to 2021-22) will need to be re-profiled to accommodate transition and on-going service transformation. This will be reported to cabinet at the earliest opportunity.
96. The focus for Corporate Facilities Management during 2016-17 was the procurement and mobilisation of a second (new) contract for maintenance and compliance assessment services for the wider operational estate, running parallel with the existing Tooley Street FM contract. This undoubtedly consumed a high proportion of the resources within the corporate FM team that would otherwise have been focused on delivery of planned preventative maintenance and infrastructure works, which have had to be re-programmed which accounts for the lower than anticipated spend during 2016-17.

97. As previously reported, both IT and CFM will need to re-evaluate the detail of their planned expenditure over the life of the existing programme. However it is worth noting at this juncture that the delivery of their programmes is closely linked to other strategic decisions that the council makes, including for example the workplace strategy which sets out the council's vision to provide a bright, modern flexible work environment for all staff that supports mobility, productivity and collaboration across departments

Housing Renewal

98. Around £1m of Disabled Facilities Grant (DFG) was spent in 2016-17 with 85 schemes completed. The DFG subsidy allocation received from the Better Care Fund increased from £0.6m to over £1.1m, giving an overall budget of £1.9m for 2016-17 and £2.1m for 2017-18. This has enabled the council to undertake more complex adaptations and approve an increased number of more common adaptations such as wet rooms and stair-lifts going forward.

Leathermarket

99. In July 2016 cabinet approved grant funding to the Leathermarket Community Benefit Society (CBS) to build 27 properties at council rent levels on the Kipling Estate garage site. The project contributes 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 the project is creating assets outside of the HRA, the expenditure must be accounted for in the general fund capital programme. The amount of grant released during 2016-17 was £0.9m, with a further £2.1m available in subsequent years.

Housing investment programme

Summary outturn position

100. During 2016-17 the council's total investment in housing was £153.1m, comprising £132.1m on the existing stock and £21m on building new council homes. This was lower than earlier forecasts, principally due to slippage on the Aylesbury regeneration as a result of delays in obtaining vacant site possession and on Warm, Dry, Safe as the final schemes progress and the programme draws to a close and transitions to the new planned maintenance regime.
101. As reported previously, resourcing the council's ambitious investment programme remains challenging, particularly in relation to the unpredictability of the resource profile. For 2016-17, the level of capital receipts, s106 and right to buy receipts that were accessible to fund the programme were less than anticipated. This required additional HRA revenue contributions to balance which necessitated deferring a planned debt repayment contribution. However, overall the debt position remained broadly neutral with borrowing headroom virtually unchanged at £184.2m.
102. In summary, the programme was financed by £39m of capital receipts, £6.1m of right to buy receipts, £46.8m from depreciation (via the major repairs reserve), £4.3m from s106 developers' contributions and £0.9m grant, and £56m revenue, including £6.8m reserves. Whilst expenditure at this level is more sustainable, the 10 year investment programme remains over-committed and it is critical that new

and emerging projects are contained and prioritised within the existing resources agreed.

Existing housing stock

103. Maintaining and renewing the council's existing stock accounted for around 74% (£114m) of the total spent during 2016-17. The main headlines are:

Warm, Dry, Safe (WDS)

104. The WDS programme has been running since 2011 and invested over a half a billion pounds bringing the housing stock up to the 'decent homes standard', including around £62m on fire prevention measures since the Lakanal fire in 2009. Safety works to all substantial risk blocks have been completed and fire safety continues to be addressed through the ongoing investment programme, including the installation of LD2 smoke alarms to all properties. WDS is now nearing completion with nearly all planned works committed and remaining schemes expected to complete during 2017-18. The decent homes standard was achieved for over 90% of council homes by March 2016.
105. The council works closely with the London Fire Brigade to carry out Fire Risk Assessments for all our blocks, develop our fire safety plans, and consider the needs of each block, with a focus on preventing fires, having early warning systems (heat and smoke alarms in every habitable room) and preventing those that do occur from spreading through better compartmentation. The council has a dedicated fire safety team that is responsible for carrying out a rolling programme of fire risk assessments and identifying any work which needs to be carried out.
106. LD2 smoke detection has been installed in the dwellings of all our tower blocks and were also offered free of charge to leaseholders. They are interlinked and consist of smoke detectors in all rooms and a heat detector in the kitchen. When one sounds they all sound in the dwelling, thus giving the resident the earliest possible warning of a problem.
107. Fire safety is now an integral part of the council's major works programmes (WDS and QHIP). All identified works are routinely delivered as part of the programme, with the exception of specific standalone schemes such as sheltered and temporary accommodation. The council has installed sprinkler systems at our sheltered housing units and hostels.
108. Some slippage on the major works programme has occurred during the year and resources re-profiled accordingly. The investment programme is currently being reviewed to more accurately align expenditure plans and budget allocations and resources going forward.

Quality Homes Improvement Programme (QHIP)

109. QHIP is the principal element of the council's asset management strategy, with a programme budget of £797m over 10 years. Whereas the focus of WDS was generally on the external fabric, QHIP recognises the need for a cyclical approach to maintenance and aims to address wider investment needs including internal works. This is the first year of the programme and some slippage is evident resulting in £15.9m being rolled forward to 2017-18.

High Investment Needs Estates (HINE)

110. The programme covers those estates identified as high need/high cost requiring extensive repair/refurbishment. In 2016-17 £14.3m was spent in total, of which £12.2m was at Four Squares (now completed) and Maydew House.

New Homes Programme

111. Direct Delivery Programme expenditure of £19.9m is lower than expected as the lead-in time for new build can be protracted. Completions include: Long Lane (Villiers Court), Masterman House (Piper Court), Clifton Estate (Parish Apartments), Gatebeck House, Cator Street (Tayo Situ House) and Nunhead Green site B (Candle Grove/Nunhead Lane). These schemes delivered 103 social rented homes, 1 intermediate and 9 homes for sale. Southdown House (1-18 Southdown House, Pytchley Road, SE22) completed in early 2017-18.
112. Three schemes are on site and due to complete in 2017-18, delivering 68 council homes, the largest of these being Sumner Road, which will provide 50 units. Planning approval has been obtained for five schemes, which will provide 93 council homes. These comprise Lakanal Shops (7 units), Daniels Road car park (19 units), Pelier Street (17 units), Kinglake Street garages (21 units), and Meeting House Lane (29 units). In addition there are a further 18 schemes at pre-planning stage that are anticipated to deliver 544 new homes and seven schemes at feasibility stage, with the potential to deliver 74 homes.
113. The Hidden Homes: the programme seeks to create new homes from vacant or underused spaces in existing housing blocks. It has so far delivered 30 new homes as well as others for sale, to help finance the wider investment programme.
114. For s106 acquisitions the purchase of properties at Salter Road and Blackfriars Road developments completed in 2016-17, providing 24 and 56 social rented units respectively as well as 10 intermediate units at Salter Road.

Southwark Regeneration in Partnership Programme (SRPP)

115. The council has a large scale regeneration programme underway of which a number of projects impact on the housing investment programme and specifically the delivery of new council homes as part of wider regeneration activity. The main headlines are explained below.
116. Aylesbury Estate: Unavoidable delays to the project have occurred due to the council's CPO application being refused, which has impacted on the expected spend profile. This was the subject of a specific report to Cabinet in May 2017.
117. Elmington Estate Phase 3: Sites C, D and E are currently under construction and site G is being demolished. Completion is expected during 2019.
118. East Dulwich Estate: cabinet approved the sale of 50 voids to assist with funding the estate regeneration programme. To date, 43 have been sold, 6 are on the market with 3 under offer and the last remaining void remains subject to appraisal. The conversion of 18 drying rooms in phases 1 and 2 are complete and all units are sold with a further 6 in phase 3 underway and due to complete this year. Health and safety works are complete and environmental improvement works are due to start shortly. Programme budgets have been re-profiled as necessary.

119. Regeneration North: As part of the Elephant & Castle regeneration, the council has completed the construction of a new building for the United Reformed Church. This is a replacement facility for the loss of their former premises as part of the redevelopment of the Heygate estate. Costs associated with outstanding acquisitions which are the subject of a Lands Tribunal decision and relocation of the electricity sub-station remain outstanding.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

120. 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.

121. 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
Month 5 Capital Monitoring for 2016-17 and Capital Programme Refresh for 2016-17 to 2025-26	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Fay Hammond, Departmental Finance Manager, Finance and Governance
Link (please copy into your browser): http://moderngov.southwark.gov.uk/documents/s64605/Report%20Month%205%20Capital%20Monitoring%20for%202016-17%20and%20Capital%20Programme%20Refresh%20for%202016-17%20to%202023-24.pdf		
Month 8 Capital Monitoring for 2016-17 and Capital Programme Refresh for 2016-17 to 2025-26	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Fay Hammond, Departmental Finance Manager, Finance and Governance
Link (please copy into your browser): http://moderngov.southwark.gov.uk/documents/s66402/Report%20Month%208%20Capital%20Monitoring%20for%202016-17%20and%20Capital%20Programme%20Refresh%20for%202016-17%20to%202025-26.pdf		

APPENDICES

No.	Title
Appendix A	General fund Month 12 Outturn Monitoring Position 2016-17 and Refresh for 2017-18 to 2026-27
Appendix B	Housing investment programme summary outturn 2016-17 and Refresh for 2017-18 to 2026-27
Appendix C	Budget virements and variations at Month 12 2016-17
Appendix D	General fund programme detail at Month 12 2016-17 and Refresh for 2017-18 to 2026-27
Appendix E	New bids for approval at Month 12 2016-17

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Modernisation and Performance		
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Fay Hammond, Departmental Finance Manager, Finance and Governance		
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Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
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	Director of Law and Democracy	Yes	Yes
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	Cabinet Member	Yes	Yes
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