

Item No. 24.	Classification: Open	Date: 19 September 2017	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy: Capital Monitoring report, including Capital Programme Update 2017-18 (Month 4)	
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 continues to deliver major investments and improvements into our borough. Perhaps the most significant since our last capital report has been the completion of new buildings and facilities at schools across the borough as part of our primary expansion programme to ensure every child has a local school place.

For instance we have completed an impressive new building and playground on Inverton Road for Ivydale School's Key Stage 2 pupils; Keyworth School has benefited from both new buildings and refurbishment incorporating a new teaching block; and Charles Dickens Schools now has a new teaching block, external areas and new nursery including 2 year old provision.

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 continue to take swift action to make resources available for works at the Ledbury Estate and fire safety works across the borough.

RECOMMENDATIONS

That cabinet:

1. Notes the general fund capital programme for the period 2017-18 to 2026-27 as at Month 4, as detailed in Appendices A and D and the £170.6m financing required for 2017-18.
2. Notes the housing investment programme for the period 2017-18 to 2026-27 as at Month 4 2017-18, as detailed in Appendix B and the £13.18m financing required for 2017-18.
3. Approves the virements and variations to the general fund and housing investment capital programme as detailed in Appendix C.
4. Notes the projected expenditure and resources for 2017-18 and future years for both the general fund and housing investment programmes as detailed in Appendices A, B and D as at Month 4 2017-18 and this position will be updated

during the year when more up to date information is available.

5. Approve the inclusion in the programme of the capital bids set out in Appendix E.
6. Notes that this report indicates that external borrowing will be required in 2017-18 to finance the programme. Options to identify the most appropriate source of financing will be appraised by the strategic director, finance and governance in conjunction with the cabinet member for finance, modernisation and performance.
7. Agrees that in the event of additional resources being required for Ledbury Estate, authority is delegated to the strategic director of finance and Governance for identifying resources to be made available in a timely way (in consultation with the cabinet member for finance, modernisation and performance and the cabinet member for housing).

BACKGROUND INFORMATION

8. On 18 July 2017, the 2016-17 capital outturn report was presented to the cabinet. This reported the capital outturn position of £98.89m on the general fund programme and £153.08m on the housing investment programme for the financial year 2016-17.
9. At that meeting, cabinet also approved the re-profiling of the expenditure and resources for the financial year 2017-18 and future years in light of the 2016-17 outturn position for both the general fund and housing investment programme and noted that further re-profiling will be required during 2017-18 based on more up to date information becoming available.
10. The scale of the capital programme is immense and with a total forecast spend of nearly £2 billion, it represents a major element of the council's financial activities. It has a significant and very visible impact on the borough and hence on the lives of those who live, learn, visit and do business in the borough.
11. 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. This report sets out the re-profiled budget and forecast outturn position for 2017-18 for the General Fund and the Housing Investment Programme (HIP).

KEY ISSUES FOR CONSIDERATION

Programme position at Month 4 2017-18

12. The capital programme is detailed within the report appendices as follows:
 - Appendix A set out the summary of the general fund capital programme 2017-27
 - Appendix B sets the housing investment programme 2017-27
 - Appendix C sets out capital programme budget virements
 - Appendix D provides further information on the general fund capital programme 2017-27.
 - 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.

General Fund

13. The total programmed capital expenditure budget is £697.2 budgeted over the period 2017-18 to 2026-27 for general fund. The forecast spend for 2017-18 for general fund is £287.11m; against a budget of £291.6m. The month 4 capital monitor report indicates that expenditure of £92.7m was incurred to date (32.3% spent). Attached at Appendix A is a summary of the general fund programme position as at month 4 of 2017-18. The summary position and the programme sets out by departments are reflected in narrative in the departmental narratives below and Appendices A (overview) and D (project detail).
14. Appendix C shows the budget virements and variations arising at month 4 of 2017-18 for approval by cabinet.
15. This programme position will continue to be monitored and reviewed over the remainder of the financial year and the final outturn position will be reported to cabinet.

Housing investment programme

16. The housing investment programme is forecasting a total expenditure budget of £1,173.1m over the programme from 2017-18 to 2026-27. The forecast total expenditure for 2017-18 is £149.1m against a budget of £142m. The current expenditure incurred to date is £24.8m (17.5%). Attached at Appendix B is a summary of the housing investment programme position as at month 4 of 2017-18; with further detail provided in paragraphs 80 to 96.
17. The majority of the expenditure on the Housing Investment Programme relates to the Quality Homes Improvements Programme. Details of the schemes and budgets within the Housing Investment Programme are reflected in Appendix B.

Resource implications

18. The council's capital resources are comprised of the following:
 - capital receipts from disposal of property
 - grants
 - external contributions
 - section 106 and Community Infrastructure Levy (CIL) contributions
 - housing major repair reserve
 - contributions from revenue
 - contribution from reserves
 - internal borrowing
 - external borrowing.
19. The capital programme is influenced by resource timing and availability. Over the life of the programme, all commitments must be met from anticipated resources. The final funding requirement will be based on the final actual expenditure, and will seek to maximise the use of grants and other funding sources, prior to the use of capital receipts. Regular monitoring and formal reporting regulates the programme and mitigates cash flow and funding risks and officers undertake regular reviews as part of the process for preparing quarterly monitors to assess

income to date, forecasts and changes.

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

Financing Update

Resourcing to Month 4 2017-18

21. As at month 4 2017-18, capital receipts of £16.13m and £1.3m had been received from the general fund and housing receipts respectively for the financial year 2017-18. At the end of month 4 2017-18, £11.65m other income had been received including £6.7m of capital grants and £4.4m secured through S106 and CIL agreements. The above resources will be monitored and applied as appropriate to schemes in 2017-18.
22. Further the appropriate utilisation of existing s106 funds to support the capital programme is under scrutiny. This report assumes that a further £30m of s106 funds will be utilised to support the programme in 2017-18.

Resourcing overall programme

23. Overall there remains a shortfall of available funds of £170.7m to meet the current general capital programme commitments (an increase from the 2017-18 position forecast in July of £149.9m. This 2017-18 budget has been updated to reflect strategic commercial property acquisition capital bid approved at the July 2017 cabinet.
24. The capital month 4 monitor indicates that there may not be sufficient resources from capital receipts, grants, s106 and available cash for internal borrowing. Subject to the accuracy of the forecast and timing of acquisitions it is possible that borrowing will be required to fund the programme. The Strategic Director of Finance and Governance will continue to monitor the expenditure, forecast and overall council's cash position closely over the coming months. Alongside this, consideration will be given to the most appropriate source, length of borrowing and costs, taking advice from our treasury advisors. The revenue implication of this borrowing will be reflected as a new commitment within the budget proposals for 2018-19.
25. As reported previously, there is currently a shortfall of available funding to meet the ambitious housing investment programme, however, the council will continue to work creatively to identify ways to deliver and finance our council plan commitments. The funding gap currently stands at £13.2m.

Departmental Updates

26. The sections below provide commentary on the budget position by departments for 2017-18.

GENERAL FUND (APPENDIX A)

Children's and Adults' Services

27. The capital programme budget across children's and adults' services for the period 2017-18 to 2026-27 is £225.4m.

Children's Services

28. The capital programme budget for 2017-18 to 2026-27 is £196m. This consists mainly of the £136m schools expansion programme to ensure the availability of school places and the £32m Primary Safe, Warm, Dry programme to ensure that pupils study in a safe environment to support learning.
29. The schools expansion programme for additional temporary and permanent places includes Robert Browning, Bellenden, and Ivydale primaries, and again at Charles Dickens, Keyworth, Albion, and Crawford primaries. In addition, works are underway to open a new secondary school to meet demand on the Dulwich Hospital site in East Dulwich.
30. 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 delay spend to the following 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 delays in getting prefabricated materials on site can delay the phasing of the programme. Works are programmed as early as possible to help ensure that provision is delivered on time to meet the need for additional places and the statutory requirement.
31. The council has invested £5m in a partnership with London South Bank University (LSBU). This has been for the creation of the Passmore Centre as the hub of a new Institute for Professional and Technical Education (IPTE). In return, LSBU will assist in delivering commitments made in the Council Plan 2014-18, and the council's Fairer Future promises around education, employment and training.

Adult Social Care

32. The capital programme budget for the period 2017-18 to 2026-27 is £19m.
33. Centre of excellence - Phase 1 of Cator Street consisted of the building of extra care sheltered flats and was completed in 2015-16. Phase 2 design work is underway to design the next lot of flats and the community hub (centre of excellence) to be built.

Southwark Schools for the Future (SSF)

34. The capital programme budget for the period 2017-18 to 2026-27 is £9.96m.
35. The final stage of the SSF programme will be the Southwark Inclusive Learning Service (SILS) Key Stage 3. The anticipated cost of £8m will be contained within

the existing identified SSF programme budget.

Environment & Social Regeneration

Summary

36. The total value of the departmental capital programme for the period 2017-18 to 2026-27 is £91.8m. The latest projected spend for the year is estimated to be £22.99m against an initial budget of £26.7m as presented at outturn for 2016-17 for 2017-18. The budget has been re-profiled in line with the projected expenditure for 2017-18 and future years.
37. The progress of major schemes is outlined below.

Highways

38. The Highway Asset Investment Programme (non-principal and principal roads) is forecast to spend a total of £7.9m against a budget initially set at £9.3m. Contractor programme included some slippage which has now been addressed, although some spend will slip into Quarter 1 of 2018-19. £800k of this programme is earmarked for the devolved highway capital programme. The programme is being launched in Quarter 3 of 2017-18, to be aligned with the Cleaner Greener Safer programme timetable, so only limited expenditure expected in 2017-18.
39. Cleaner Greener Safer Programme is forecast to spend £2.0m as per budget and deliver around 200 individual projects.
40. The expenditure on the cycle infrastructure fund is forecast to spend £100k towards implementation of the Southwark Spine route. This is a reduction from the budget 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 to spend £250k for detailed design and commencement of implementation. Delays, in part due to general election purdah, meant that public consultation will not commence until Sept 2017 on this programme.
41. St Saviours Dock footbridge and Flood Prevention Programme budgets will be spent to programme with £195k on detailed design of the bridge and £365k on Coleman Road area flood prevention scheme implementation.

Parks and Leisure

42. The implementation of the cemetery strategy continues in order to create further burial spaces and make associated infrastructure improvements. Planning and faculty approval has been granted for areas B, D1 and Z. The contract has been awarded for Area D1 with the aim of starting on site in the autumn. The tender process has commenced for Area B with a view to starting works on site later in the calendar year.
43. Southwark Athletics Track and Centre: The track was completed and opened in the summer of 2017. Options have been considered for the athletics centre building and designs are now being progressed for a new build rather than

refurbishing the existing building, the latter option had a number of constraints including the conditions of the ground and also layout of the building.

44. Major Parks: Burgess Park West is to commence on site in the autumn as the main contract has been awarded. The contract has also been awarded to deliver the new café building in Southwark Park. The public toilets in Burgess Park have opened and the proposed refurbishment works for the Chumleigh West building have been granted planning approval.
45. Homestall Road: Planning was granted and the tender process for a contractor has been completed. Works have commenced and are expected to be completed by the end of the summer. A Gateway 3 is being written to include road and drainage works to the programme and will be covered by the existing budget.
46. Cabinet is also requested to approve the allocation of £150k capital towards the old library, bath and wash house in Burgess Park which is in need of refurbishment. There is an opportunity to transform this building into an events venue and a cafe/restaurant. There is also the opportunity to consider the relocation of the registrars into the OLBAW which would enhance the service offer. This capital funding will be used to refine the vision to incorporate the registrar service and to procure a third party operator to manage both facilities whilst contributing to compiling and submitting a match funding application to the Heritage Lottery Fund for a wider and full refurbishment. This is included in Appendix C.

Libraries and Heritage

47. Kingswood House: Planned works to the interior of Kingswood house for toilet refurbishment were in progress but have been delayed due to the discovery of significant problems with the façade of the building. This has required urgent works to make the outside of the building safe. The cost of exterior repairs has exceeded the available capital budget and a further capital bid of £300k is required to cover the completion of the essential exterior works and interior refurbishment.
48. Grove Vale Library: Construction of new Grove Vale library is in progress and the library is due to open in July 2018. The building will be handed to the council as a shell and core and will require internal building works and fitting out. There is an approved capital budget of £160k and the council expect additional funding of £134k from developers as part of the S106 agreement. There is a shortfall of £200k which is required to provide essential digital and IT services to the library and also additional building works which is currently not funded and undertaken by CFM.
49. Public IT network: Capital project to upgrade Public IT network in libraries to ensure a safe and secure network is in progress and the upgrade will improve performance of IT and internet access for customers. The project will be completed in October 2017.
50. Heritage Online website: Capital project to upgrade Heritage Online website is progressing. Project will provide improvements to Heritage website including sound and video, increased range of 3D images, better functionality and search facilities, staff training to make effective use of the e-museum resource. Project

is due to be completed by Dec 2017

51. A capital budget of £500k is required to upgrade the IT equipment across Libraries. The existing equipment is out of date and unable to meet current customer needs. This funding would enable a refresh of all self service equipment, and the public network PCs to all libraries as these are reaching end of life.
52. A capital budget of £100k is required for the new Aylesbury library that is due to open in early 2020 however there is a shortfall in funding to provide IT facilities and to enable digital services including automated services for out of hours use.
53. A consolidated capital bid of £1.1m is being submitted incorporating the capital budget requirement mentioned above for the library service. This is reflected in Appendix E for cabinet approval.

Chief Executive's

54. 2017-18 to 2026-27 is £297.7m. Project managers have reviewed the progress of the schemes and budgets have been re-profiled in line with anticipated spend. Total expenditure incurred to end of July 2017 amounted to £55.9m and the projected spend for 2017-18 is £146.5m.
55. 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.
56. 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

57. 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 £225.9m with projected expenditure of £125.7m in 2017-18 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

58. In July 2017 cabinet considered a further report on the regeneration of the buildings. The report noted that as a consequence of a serious budget shortfall totalling c£15m, further consultation had been 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. The report further noted that

due to the continuing constraints on the council's capital programme this additional funding is not available. Cabinet therefore agreed a revised project mandate which authorises officers 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. Cabinet also instructed officers to identify alternative locations in the area for a new Newington Library.

59. The extent to which an Arts/Culture use of the buildings may require council funding from the allocated budget will be assessed through the marketing process and reported to cabinet in a future report. To bring some activity and public access back to the buildings a lease to allow the temporary use of Newington Library by Art Academy has been agreed. This has required some minor investment by the council in its landlord capacity to facilitate safe public access.

Southwark War Memorial

60. The council commissioned Kenny Hunter to develop a concept for the Southwark memorial which has now received sign off from the 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 & Castle Open Spaces

61. The refurbishment of Pullens Gardens is now on site and works are expected to complete in October 2017. The first public consultation on the next project at Dickens Square has now commenced and a report on the responses received is expected by the end of August.

Mountview

62. The development is now on site with anticipated completion by September 2018. A revised loan drawdown schedule is reflected in the capital monitor. The grant funding has now been fully spent.

Revitalise Peckham Rye

63. Work is now underway in Peckham to provide new facilities in Peckham Rye Park and Common. A new, relocated car park has now opened, which has allowed work to commence on the new children's play area on the site of the old car park. A new play room, changing room facilities and public toilets are being built adjacent the existing adventure playground with work scheduled to be completed in by the end of October 2017.
64. The new play area was also scheduled for completion by the end of October; however, following the discovery of low grade asbestos on the site, a revised timetable is to be prepared. Once the new changing rooms and play room are completed, the old facilities will be demolished and the site 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 following confirmation by cabinet in February 2017. However, additional spending may be required to remediate the asbestos from the play area site. The final decision on how this will be achieved will be taken in the next monitor report to cabinet once

recommendations have been fully considered.

Top Quality Playground - Mint Street

65. Cabinet are requested to approve the allocation of £300k capital budget to assist in the delivery of the top quality playground against the council plan target. The capital investment would result in the redesign and upgrade of Mint St. play area. This playground will be designed in conjunction with stakeholders to become neighbourhood-scale top quality playgrounds. This is included in Appendix E.

Albion Street

66. The regeneration of Albion Street has been a long term objective of the authority 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.
67. The construction of St Olav's Square in front of the Norwegian Square has been completed although there are snagging works to be completed before full public access to the new public square can be provided. The church has arranged for a member of the Norwegian Royal family to formally open the space at a ceremony in early September.

Acquisition of commercial property

68. The council has made a series of property acquisitions, including the recently completed purchase of 22 Shand Street, 14-20 Shand Street and 9 Holyrood Street, which comprise the "London Bridge portfolio". These are income generating assets and their addition replaces revenues foregone from the commercial portfolio, where other assets have been released into home building, regeneration and disposal programmes. In so doing poorer quality assets are being replaced with significantly better ones in investment terms. Whilst the budget initially agreed made provision for further acquisitions in year. Cabinet is requested to approve a further £16 million in order that additional opportunities can be pursued. This is included in Appendix E.

Planning and Transport Division

69. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a combined budget of £18.8m with £1.7m spent up to month 4 and a projected spend of £13.5m in 2017-18.
70. The transport planning budget of £10.4m 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 £8.4m 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.

Planning works

71. A number of projects totalling nearly £1.5m are currently on site or being developed which promote the council's programme for supporting high streets. Currently on site are the environmental and shop front improvements on Queens

Road which compliment the works previously carried out in the vicinity of the station. Under development are schemes for East Street (the “What Walworth Wants” programme); Walworth Road and Meeting House Lane. These three projects will commence on site during 2017-18.

TfL Funded works

72. A total of 4.2m was spent by Environment and Social Regeneration department in 2016-17 on TfL-funded transport and highway improvements. The programme for 2017-18 includes substantial continued capital investment in Principal Road renewal, cycling and other road safety and public realm improvements such as Quietway 7 and Crystal Palace Parade. Total forecast spend for 2017-18 is £7.2m.
73. The capital programme also includes the remaining s106/CIL contribution of £50.9m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.

Housing General Fund

General Fund

Overview

74. Overall, the total value of the Housing and Modernisation general fund capital programme up to 2026-27 is £82.4m. Programme spend for 2017-18 of £17.9m is currently projected to be broadly on budget, with spend of £5.6m to date, in line with expectations.

Traveller Sites

75. The programme budget for traveller sites is currently £0.4m and is primarily for the re-instatement of the railway embankment at Ilderton Road. However, a recent review of this and other sites has identified a number of health and safety and compliance issues that warrant remedial action which will require additional resources over the next 12-18 months. Proposals in this regard will be reported to cabinet at the earliest opportunity.

Modernisation

76. Information Technology and Digital Services (ITDS) - this remains critical to the council’s strategy to transform the way it delivers services and the realisation of savings over the medium-term. The existing managed service contract will cease shortly and the council will enter into a shared IT service with the London Boroughs of Brent and Lewisham from 1 November. This arrangement requires an initial investment (both capital and revenue) to transition Southwark’s existing IT infrastructure and applications to the new hosted service. The existing IT capital programme (£18.4m up to 2021-22) will be re-profiled to reflect the changes and reported to cabinet at the earliest opportunity. Expenditure is expected to be in line with budget at £3.8m.
77. Corporate Facilities Management (CFM) – this comprises planned preventative maintenance and compliance programmes for the council’s operational estate. This programme sits alongside the council’s wider workplace strategy with the

focus being the rationalisation of the existing estate, improvement of those buildings that will continue to support service delivery in the longer term and new provision where appropriate, and the decommissioning/disposal of surplus assets to support investment. Expenditure is currently forecast to be in line with budget at £1.3m.

Housing Renewal

78. This activity comprises a number of initiatives that support private sector residents, through various grant regimes. By far the largest element is in relation to adaptations to residents' homes. The Disabled Facility Grant (DFG) subsidy allocation received from the Better Care Fund has increased from £0.6m to over £1.1m giving a total budget of £1.9m for 2017-18. This has enabled the council to undertake more complex adaptations and approve a greater volume of routine adaptations going forward. The projected spend for DFG is £1.9m with a target of 120 schemes to be completed during the year.

Leathermarket

79. 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. It is anticipated that the development will be completed in 2017-18 and that the remaining grant (£8.4m) will be paid in full during the year.

Housing Investment Programme (HIP)

Overview

80. Since the HIP outturn report to cabinet in June, the council's investment plans have been reviewed and re-profiled to provide a more robust and realistic estimate of likely spend during the year. The forecast for 2017-18 is £149.1m comprising £91.7m on existing stock, £36.5m on new council homes and £20.9m on wider regeneration schemes, which also delivers affordable housing. Whilst the programme is now more sustainable and more closely aligned to available resources, there remains a forecast funding gap of £13.2m for 2017-18. Going forward, it is important that new and competing commitments are prioritised and contained within the budget agreed and that the emphasis moves to being a resource-led programme, rather than expenditure-led.
81. Resourcing is predicated on a level of revenue support and more critically, the realisation of capital receipts, together with the application of RTB receipts and S106 funds for new housing provision. In the event that the assumptions underpinning the programme change and resources cannot be substituted, it would be necessary to borrow, with the consequent additional revenue financing costs and reduction in the council's HRA borrowing headroom.

Existing Housing Stock

Warm, Dry, Safe (WDS)

82. The WDS programme has been running since 2011 and invested over half a billion pounds bringing the housing stock up to the 'Decent Homes Standard', including around £62m on fire prevention measures since Lakanal in 2009. Safety works to all substantial risk blocks have been completed and fire safety continues to be addressed through the ongoing investment programme. WDS is now nearing completion with all planned works committed and remaining schemes expected to complete by 2018-19.

Fire Safety

83. In response to the Grenfell Tower tragedy, the council is currently undertaking intrusive type 4 fire risk assessments of all 174 high rise blocks, which will identify any problems and what actions are required to ensure fire safety going forward. LD2 smoke alarms have been installed in all the highest priority blocks and the majority of street properties (including ex-right to buy), and continue to be delivered along with the five-year programme of electrical testing as part of the mainstream works programmes.
84. Work is currently being undertaken to prioritise future work programmes and reduce fire risk in conjunction with the London Fire Brigade (LFB). LFB have been provided with block plans for all 5+ story blocks and residents in high rise blocks have been provided with fire safety information packs. The council has also gone above and beyond the current government requirements to test cladding panels on all high-rise blocks and four low-rise blocks that were potentially at risk, but there are no aluminium rain screen cladding on any of our high rise blocks.

Quality Homes Improvement Programme (QHIP)

85. 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. The projected spend for 2017-18 remains at £48.7m, although spend is low to date, it is expected to accelerate through the year as more projects commence on site and new ones are committed.

Other Major Works

86. The programme covers those estates identified as high need/high cost requiring extensive repair/refurbishment. The projected spend for 2017-18 is £10.9m. Four Squares is complete and final accounts will be settled this year. Lakanal refurbishment is also complete and the Undercroft works are due to be completed later this year. In addition, Portland is on site and due to complete in 2018-19. Works at Tustin, Maydew and Chilton Grove are being reviewed following the Grenfell Tower fire to ensure they will meet a high standard of fire safety and any likely emerging regulatory requirements. The works will be reprogrammed once this review is complete and specifications drawn up.

Ledbury Estate

87. Following the recent tragic event at Grenfell Tower, the council has been reassessing all of its tower blocks with regards to fire safety. As part of this exercise and in response to concerns raised by residents, a structural issue affecting the upper floors of the four tower blocks on the Ledbury Estate was identified. The Council appointed Arup to carry out an urgent investigation and has undertaken emergency fire safety works, including the disconnection of the gas supply to the blocks as a precautionary measure. Investigation and assessment of the remedial works required is on going and in the interim, wardens are in situ 24/7 to provide monitoring of the blocks. Currently measures are being put in place to re-house residents (either temporarily or permanently). At this stage there is no indication of the estimated cost of any remedial works, but this will be reported in the next capital monitoring report to Cabinet in February 2018.

New Council Homes

Direct Delivery

88. 291 new council properties have been completed to date with a further 263 either on site or with planning permission granted. In total around 400 homes are due to be completed by the end of 2018, with a further 1,200 on site or committed. The projected spend for 2017-18 is £36.5m. In addition, some property is being developed specifically for private sale in order to help finance the wider programme.

Hidden Homes

89. The programme seeks to create new homes from vacant or underused spaces in existing housing blocks. It has so far delivered 33 new homes as well as others for sale to help finance the programme. This includes three units completed this year at Rowland Hill House, Swanmead and Greystoke House. A further eight hidden homes are on site at Mortlock Close, Juniper House and Falcon House.

S106 acquisitions

90. The purchase of properties at Salter Road/Fisher Close was completed last year and the purchase of Didbin Apartments (Blackfriars Road) completed in early 2017-18. These units provided 24 and 56 social rented units respectively as well as 10 intermediate units at Salter Road. As a result of a successful court action by the council and subsequent settlement, provision has been made in the programme to acquire a further ten properties at the Signal Building.

Southwark Regeneration in Partnership Programme (SRPP)

91. 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 forecast expenditure for 2017-18 is £0.8m of which £0.5m is already committed. The bulk of the expenditure is associated with the repackaging and retendering of Lot A, but additional vacant possession costs are also anticipated on Lot B.

- Lot B: A development agreement has been signed with Clarion Housing Group to deliver 606 new homes, of which over 280 will be retained by the council, a community centre, a school hall and commercial space across ten council owned sites (mainly held in the General Fund).
- Lot A: Following the unsuccessful initial tender through the GLA's London Developers Panel, the lot has been repackaged (with Seven Islands dropped and three additional sites added), with a shift of focus to SME developers as well as large developers and on maximising capital receipts whilst delivering a minimum of 35% affordable homes across all eight sites.

Regeneration Schemes

Aylesbury Estate

92. The forecast spend for 2017-18 is £13.3m, comprising £7.7m for leaseholder acquisitions, £4.6m for the first development site and £1m for approved premises facilities. Unavoidable delays arising from the refusal of the council's CPO application have slowed the leaseholder acquisition programme. Demolition works on Bradenham and Chartridge blocks are expected to be complete in 2018-19 and construction of the approved premises facilities is due to complete in 2019-20.

Elmington Estate Phase 3

93. Sites C, D and E are currently under construction and site G is being demolished. There remain a small number of leasehold acquisitions to be resolved, but completion is expected during 2019.

East Dulwich Estate

94. Cabinet approved the sale of 50 voids to assist with funding the estate regeneration programme. To date, 43 have been sold with the remaining seven going to market over the next few months. The conversion of 18 drying rooms in phases 1 and 2 is complete and all units have been sold with a further six in phase 3 underway and due to complete this year. Health and safety works are complete but the environmental improvements have slipped with drainage works now part of phase 3, which is due to start on site during Autumn 2018.

Wooddene and Acorn Estates Energy Centre

95. The construction of the energy centre shell and fit out of the Acorn plant room are complete and the connection and commissioning works are expected to complete by late summer. The decommissioning and demolition of the existing plant will be undertaken by Notting Hill, as part of their works contract, but paid for by the council. The works are expected to be within the £3m budget earmarked.

Regeneration North

96. This programme is now close to completion with costs remaining for outstanding acquisitions that are the subject of a Lands Tribunal decision and the relocation of six electricity sub stations.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

97. 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.
98. 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
Link: http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=5879		
Outturn Capital Monitoring for 2016-17 and Capital Programme Refresh for 2017-18 to 2026-27	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Fay Hammond, Departmental Finance Manager, Finance and Governance
Link (copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s69822/Report%20Outturn%20Capital%20Monitoring%20for%202016-17%20and%20Capital%20Programme%20Refresh%20for%202017-18%20to%202026-27.pdf		

APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at Month 4 2017-18
Appendix B	Housing investment programme summary monitoring position at Month 4 2017-18
Appendix C	Budget virements and variations at Month 4 2017-18
Appendix D	General fund programme detail at Month 4 2017-18
Appendix E	New capital bids

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Strategy and Performance	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Fay Hammond, Departmental Finance Manager, Finance and Governance	
Version	Final	
Dated	7 September 2017	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	9 September 2017	