

Item No. 9.	Classification: Open	Date: 17 September 2019	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy: capital monitoring report, including capital programme update 2019-20 (month 4)	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Victoria Mills, Finance, Performance and Brexit	

FOREWORD – COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT

As ever, the council has continued to deliver major investments and improvements into our borough through the capital programme. A refreshed capital programme for the period 2018-19 to 2027-28 was approved by council assembly in February 2019.

I am delighted to be presenting this latest update of the council’s capital and housing investment programmes that underpins so many of our fairer future promises and our council plan priorities. This report not only provides the current status of the hugely ambitious programmes that are in progress but also seeks approval for expansions to current programmes and new schemes that support a range of themes. This includes investing in the capital programme to enable The Old Vic to expand their footprint and build a new community cultural hub for the theatre that will provide a permanent home for the community to train, learn, connect and enjoy. Further, cleaner greener safer (CGS) budgets have been updated for a full ten years up to 2028-29 to further support the council’s ongoing commitment to the successful CGS programme to deliver small scale environmental improvement projects and capital grants in response to local community needs.

This investment is additional to investments in school expansions, highways and infrastructure improvements, investment in environment and leisure and in our existing operational assets and IT infrastructure. Further, major regeneration projects are underway at Canada Water, Aylesbury, Elephant and Castle, Camberwell and other parts of the borough, all aimed to make Southwark a great place to live, work and study and to improve the opportunities and outcomes for all residents.

RECOMMENDATIONS

That cabinet:

1. Notes the outturn and resources for 2019-20 and future years for both the general fund and housing investment programmes as detailed in Appendices A, B and D;
2. Approves the virements and variations to the general fund and housing investment capital programme as detailed in Appendix C;

3. Approve the inclusion in the programme of the capital bids set out in Appendix E;
4. Notes the significant funding requirement of £397.5m which needs to be identified for the general fund programme to be fully delivered over the remaining term of the programme, as detailed in Appendix A.
5. Notes the significant funding requirement of £122.8m which needs to be identified for the housing investment programme to be fully delivered over the remaining term of the programme, as detailed in Appendix B.

BACKGROUND INFORMATION

6. On 18 June 2019, the 2018-19 outturn capital monitoring report was presented to the cabinet. This reported the capital outturn position of £215.6m and financing requirement (i.e. borrowing) of £59.4m on the general fund programme and a fully financed £143.8m housing investment programme for the financial year 2018-19.
7. The total programmed capital expenditure over the ten year period 2019-20 to 2028-29 is £618.4m for general fund and £1,748.5m for the housing investment programme.
8. 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.
9. Due to the size and scale of the 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. This has historically resulted in the capital programme being over-programmed in year, 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.
10. The council's constitution requires council assembly to agree the capital strategy and programme at least once every four years, ensuring effective financial control and the achievement of value for money, within the provisions of financial standing orders. On 20 February 2019 the council assembly agreed a refreshed 10 year general fund capital programme and housing investment programme (HIP) for the period to 2027-28. Cabinet will consider and approve the refresh of the capital programme on a regular basis through capital monitoring reports to ensure it is fully updated and aligns with the council's key priorities.

KEY ISSUES FOR CONSIDERATION

Programme position at Month 4 2019-20

11. The capital programme is detailed within the report appendices as follows:
 - Appendix A set out the summary of the general fund capital programme

2019-29

- Appendix B sets the housing investment programme 2019-29
- Appendix C sets out capital programme budget virements and variations
- Appendix D provides further information on the general fund capital programme 2019-29.
- Appendix E details new 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

12. Attached at Appendix A is a summary of the general fund capital programme position as at month 4. The total programmed expenditure over the period 2018-19 to 2028-29 is £618.4m. The forecast spend in 2019-20 is £167.6m against a budget of £299.1m.
13. Capital expenditure to the end of Month 4 was £19.6m representing 12% of total forecast spend for the year.
14. Appendix C details the budget virements and variations for approval by cabinet.
15. Appendix D provides a breakdown of the programme by directorate and project and the departmental narrative statements (paragraphs 28 to 89) provide further details.
16. 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

17. The housing investment programme is forecasting total expenditure of £1,744.9m over the period 2019-20 to 2028-29. The forecast spend in 2019-20 is £220.2m against a budget of £271.2m. Spend to the end of month 4 was £28.5m representing 13% of total forecast spend for the year.
18. A breakdown of the schemes and budgets within the housing investment programme is included in Appendix B. Further narrative is provided at paragraphs 90 to 96. The majority of the expenditure on the housing investment programme relates to the Quality Homes Investment Programme.

Resourcing the 2019-20 programme and onwards

19. Capital expenditure is financed through a variety of sources, typically receipts from the sale of capital assets, capital grants, external contributions such as S106 or Community Infrastructure Levy (CIL), from reserves or from revenue budget contributions. Any capital expenditure that is not financed by available capital resources must be financed by borrowing.
20. 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.

21. The council can temporarily utilise other resources in lieu of using external borrowing to fund capital expenditure. This is referred to as internal borrowing. Whilst internal borrowing is a useful treasury management facility to minimise debt financing costs, it merely defers the timing of external borrowing rather than obviating the need.
22. The shortfall in available capital resources is financed from borrowing and will be funded from revenue contributions to support the debt costs over the life of the debt repayment.
23. The treasury management strategy has been to defer external borrowing, borrowing only when needed for liquidity purposes. Whilst this strategy has worked well for the council, saving over £20m since 2011, the increase in capital spending can no longer be financed entirely from internal borrowing. Accordingly since 2017-18 the council has needed to borrow externally to finance previous capital spending and to maintain target cash balances.
24. The make up of the capital programme is significantly influenced by the scale of resource 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. The cost of servicing the debt will be a charge to the revenue budget and funded from savings and/or returns on investments.
25. In the current ten year programme included within this report, there is a forecast shortfall of available funds of £397.5m to meet the planned general fund capital commitments and £122.8m to fund the ambitious housing investment programme.
26. 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 has been undertaken to identify where contributions can appropriately be utilised to support the capital programme, subject to the agreement of the planning committee.
27. 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. Beyond 2019-20, 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. In accordance with the approved strategy, £130m is planned to be borrowed externally in 2019-20 with further external borrowing expected in 2020-21. The timing of any decision to borrow will be mindful of cash flows and risk/probability of future interest rate increases.

Departmental updates

28. The sections below provide commentary on the budget outturn position by department for 2019-20.

GENERAL FUND (APPENDIX A)

PLACE AND WELLBEING

29. The total value of the capital programme for the department over the period 2019-20 to 2028-29 is £262.9m. Project managers have reviewed the progress of the various schemes and budgets have been re-profiled in line with anticipated spend. Total expenditure incurred to end of July 2019 amounted to £5.2m and the forecast spend for 2019-20 is £93.5m.

Regeneration Division

30. 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 £145.5m with a projected expenditure of £79.3m in 2019-20 and the remaining spend profiled across future years.

Walworth Road Town Hall

31. Following an extensive marketing process to gain third party investment into the town hall, two bids were received outlining proposals for employment, arts and culture hubs. In March 2019 cabinet approved General Projects as the successful bidder to take forward the Walworth town hall project. General Projects have undertaken some initial community engagement to help develop the proposals and specifically the community arts and culture space. Further consultation will be undertaken during the pre application phase which will commence in September culminating in the submission of a listed building and planning applications in quarter 1 of 2020-21.

Canada Water Leisure Centre

32. In March 2018, cabinet agreed to enter into a master development agreement with British Land (BL) to regenerate the shopping centre, former print works and mast leisure sites. Cabinet, further agreed that "plot A2" within this large site would be the preferred location for the new Canada Water leisure centre. The high level specification for the project incorporates an 8 lane 25m swimming pool, learner pool, 4 court sports hall, gym, dance studio's, spin studio's and changing facilities. BL have subsequently submitted a detailed planning application for phase 1 [which includes plot A2] and a decision on the scheme is now expected to be taken by planning committee in September.
33. Cabinet in March 2018 also endorsed a framework for taking forward the project which includes agreement on a council budget cap of £35m meaning the council's contribution to the scheme from its capital programme will not be greater than this figure. The capital programme refresh for 2018-19 to 2027-28 which was approved in the cabinet meeting held on 24 July 2018 included a £35m allocation for the project. A RIBA stage 3 design has now been agreed which includes for enhanced studios, gym, and learner pool with a moveable floor. The rebased project budget remains within the framework approved by cabinet. The timetable for the next stage of the design process is dependent on planning approval.

Top Quality Playground - Mint Street

34. The works are complete and the adventure playground and building, together with the public playground, are in operation. The project defects period has now expired and all internal defects and snags from the new building have been addressed. The team is working closely with the parks and leisure team and the main contractor to address the remaining issues in the public playground.

Aylesbury Plot 18

35. The plot 18 scheme delivers a range of new high quality community facilities at the heart of the Aylesbury estate underpinning the regeneration programme. The scheme will be delivered under the development partnership with Notting Hill Genesis and a capital allocation of £38m is currently included within the capital programme. Having selected a preferred contractor for the scheme, and successfully concluded scheme value engineering, officers are currently progressing documentation for contractor appointment, subject to NHG board approval anticipated in September, which will allow commencement of works on site by the end of the year.

London Bridge Portfolio

36. Potential addition of income generating assets to replace 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.
37. On 11 December 2018 cabinet agreed the addition of a mixed use asset at Courage Yard, SE1 in the vicinity of Tower Bridge to the portfolio. The purchase price was £89m, exclusive of costs and tax (c. £5.2m) making a total value of £94.2m. Looking ahead, one further acquisition to complete the portfolio is anticipated, in line with our commercial property investment policy.

Planning and Transport Division

38. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a combined budget of £16.2m with £14.1m projected to spend in 2019-20 and the balance profiled over future years.
39. The transport planning budget of £7.9m is largely funded by Transport for London (TfL) to deliver transport improvement programme as contained within the borough's movement plan. Planning projects budget of £6.2m 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.

Planning Projects

40. A number of projects totalling nearly £1.3m are currently on site or have been completed by the regeneration teams which promote the council's programme for supporting high streets. The schemes for East Street (the "What Walworth Wants" programme) and Harper Road have been completed while the; Walworth Road; Lower Road, Tower Bridge Road and Rye Lane are currently on site or well advanced in the design phase. The first phase of the part HLF funded

Peckham townscape heritage initiative is complete and the second phase of the programme has been tendered and shortly to start on site.

41. Schemes funded by neighbourhood CIL are also being developed with colleagues in Highways, Parks and the Regeneration divisions. Surrey Docks Farm is currently undergoing a £500k rebuilding programme funded by the local CIL which will greatly expand their education facilities. Projects under development include pedestrian improvements in Camberwell and Dulwich and parks in the Bankside area.

TfL Funded Works

42. Initial works on Long Lane have been completed with longer term measures being explored in 2019-20. Having installed over 82 lamppost charging points, the council is over halfway to achieving the target of 150 charging points by March 2020.
43. The bus improvement programme has seen many minor interventions completed however there are a number of more major schemes that will take several years to reach completion. Design and community engagement for these schemes is ongoing through this financial year.
44. Cycle Super-Highway 4 Lower Road-The outline design for the project is now complete, and consultation started in the summer and will be completed by October 2019. The council is still negotiating on TfL contribution, and cabinet will be provided an update once these negotiations are complete.
45. The capital programme also includes the remaining s106/CIL contribution of £35.3m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.

Capital Bid

46. Cabinet approved the draft Head of Terms and finance arrangements on 16 July 2019 for the loan of £3,750,000 to enable The Old Vic to expand their footprint to build a new community cultural hub for the theatre called The Annex, to open in 2022 that will provide a permanent home for the community to train, learn, connect and enjoy. Full details and background were provided in a separate report which was approved in Cabinet meeting held on 16 July 2019. The additional budget is included in Appendix E for cabinet approval.

CHILDREN'S AND ADULTS' SERVICES

47. The total value of the departmental capital programme for the period 2019-20 to 2028-29 is £143.6m. The forecast departmental capital outturn for 2019-20 is £22.0m.

Adult Social Care

48. The capital programme budget for the period 2019-20 to 2028-29 is £40.4m, the main projects being; £10.7m in respect of a programme of improvements to existing care settings, £10m for the provision of an additional bed-based care facility, £7.9m for an essential lifecycle capital programme for four residential care homes and £5.4m for the Cator Street older peoples' hub and day centre.

No additional capital requirements for Adult Social Care are identified in this report.

49. The remodelling and refurbishment of Castlemead, 232 Camberwell Road for mental health services has been completed, the teams having moved to the premises in August 2019.
50. Preparatory work is under way on the Cator Street 2 site, where the new older people's hub and day centre are to be sited. This new facility will be adjacent to, and integrated with, the existing Flexicare housing at the Cator Street 1 site and this second phase of the build will incorporate a further 42 Flexicare flats.
51. The Adult Social Care Capital Board has identified a number of priorities in 2019-20 to meet current and future needs of vulnerable adults in the borough. The council is actively working with commissioned providers and partners to ensure sufficient capacity and choice of high quality provision across the borough.

Children's Services

52. The capital programme budget for 2019-20 to 2028-29 is £109m. This consists of £45m development of Charter & Rotherhithe Schools, £27m refurbishment and £12m on Beormond Special School. There is a further £8m which is the last remaining commitment from the Southwark Schools for the Future programme for the rebuilding of SILS K3. The overall programme is focussed on rightsizing provision, ensuring the estate remains fit for purpose and also on contributing to addressing high needs provision in the borough.
53. The overall context is that there is spare capacity in the primary sector because of falling rolls relating to a reduced birth rate and a slow down in growth in the secondary sector. Opportunities are being explored for rationalisation of buildings to make the best use of existing assets to reduce running costs for schools. There is also pressure to increase place supply for children with special needs, which is a national pressure.
54. Following the completion of the vast majority projects in school expansion which have now been successfully handed over, the key remaining project on school expansion is at Rotherhithe School, which received planning consent in April 2019 and is targeted for opening in the Autumn term 2021. The enabling works have started on site to ensure that the main works contract can be completed as quickly and safely for school as possible without overly disrupting their day to day operations. Funding for this project needs to be monitored closely given the absence of basic needs grant. This grant may become available again however if we are able to identify need for the Old Kent Road area.
55. Work is progressing well on Charter School East Dulwich. Phase 2 includes the sixth form centre. A key aspect of completion is dependent on the NHS relocation and works will be scheduled to start on site in April 2019 and complete by September 2021.
56. Additional classrooms at Phoenix Primary have been added to accommodate additional forms of entry in time for the start of term 2019. In addition work is planned to start this year on the Riverside School project with funding initially coming from the schools own balances.

57. The Primary Schools Refurbishment programme for 2019-20 has made good progress over the summer holidays and is now substantially complete.
58. Air Quality improvement works are being undertaken at Ilderton Primary School to improve the air around the school especially from road pollution. These works incorporate a new acoustic boundary screen to the school and the planting of green walls and trees, which has proven to reduce NOX emissions. The works are set to commence on site in September 2019 and complete by November this year. Work is also underway to procure air quality audits of schools.
59. A key priority of the programme is the provision of SEN places, building upon the work at Cherry Garden School which completed earlier in the year. The SEN capital grant of £1.7m in 2019-20 has been used to complete work at Park College post 16 provision, which started in 2018-19, which is now open. In addition significant work is also underway at SILS KS3 in 2019-20. However there has been some slippage in the opening of resource units at COLA and Charter School East Dulwich and Spa Bermondsey (being separately managed). In addition the planned project at SILS KS4 and Beormond School needs to be reviewed given the change in market conditions, and this may be subject to a future capital bid.
60. Finally in future there may be capital bids for other priority areas such as Adult Learning.

ENVIRONMENT AND LEISURE

61. The total value of the departmental capital programme for the period 2019-20 to 2028-29 is £106.4m. The latest projected spend for the year 2019-20 is estimated to be £30.0m. The budget has been re-profiled in line with the projected expenditure for 2019-20 and future. The progress of major schemes is outlined below.

Highways

62. The Highways capital renewal programme is currently forecast to complete in quarter 4 and no major risks are envisaged. Projected spend for the planned maintenance aspect is £5.548m and current spend reflects about a third of this. £800k from this budget represents the devolved highways budget, of which approximately £373k remains unallocated at present. The remaining budget of £300k represents highway structures maintenance.
63. There has been a slow start to delivery on the principal roads programme as the main component of this budget was Southwark Bridge Road which was scheduled for May. However, in discussion with Transport for London (TfL) this work has been deferred to a later year and replacement schemes have been identified and programmed accordingly.
64. Works for the Southwark spine (paid for from the cycling infrastructure fund) have commenced on site. Funding available from the LIP allocation will be used first.

- 65. Works for three 20mph improvement schemes are programmed for construction in the coming year.
- 66. Junction improvement works for Rotherhithe New Rd have been reprogrammed and are now under construction.
- 67. Minor design change has led to a slight delay on St Saviours Dock footbridge but this will be complete by the end of August 2019 and within budget.
- 68. Currently capital programme includes cleaner greener safer budgets up to 2023-24 only. This budget has been updated for a full ten years up to 2028-29 leading to a capital budget variation of £9.4m (£1.88m per annum) and this is reflected in Appendix C for cabinet approval. This bid is to further support the council's ongoing commitment to the successful CGS programme to deliver small scale environmental improvement projects and capital grants in response to local community needs. The addition of this bid means that an equivalent level of provision exists for these schemes in every year of the programme to 2028-29.

Flood Prevention

- 69. Coleman Road flood alleviation project completed within 2018-19 with work ongoing as planned for the gulley replacement programme. A number of new sustainable drainage (SuDS) schemes are currently under development across the borough mostly in housing estates and in Melior Street and Snowfields. A major project is being developed to protect properties in Peckham Rye area.

Asset Management

- 70. Lamp column replacement on the basis of structural integrity and lantern replacement for energy consumption reduction continues as per programme.

Parks and Leisure

- 71. Delivery of the cemetery strategy continues in order to create further burial space and make associated infrastructure improvements. The contract has been awarded for Area Z phase 2 landscaping works, and these are due to commence on site in September 2019. Camberwell new cemetery small lodge refurbishment is completed. The contract has been awarded for the enabling works at Nunhead cemetery lodge and these works are to commence in September 2019.
- 72. Major Parks: Burgess Park west involving major landscaping and the creation of a new playground is now complete, with official opening event held in June 2019. Construction of the iconic new café building and associated landscaping work at Southwark Park is completed. Works to complete Internal fit out of the café to progress in quarter 2 of 2019-20.
- 73. Burgess Park old library baths and wash house building restoration - the condition survey is completed. Property consultants are now preparing marketing material to advertise for partner operator and the advert is to go out in September.
- 74. Southwark athletics centre - detailed design is in progress. Planning application has been submitted.

75. Burgess Park urban games project is progressing. Consultation on the draft plans are due to take place starting in September 2019.
76. Burgess Park sports centre - planning application has been submitted and decision is due in September. GW2 for building architects services RIBA stage 4 contract has been awarded for the Burgess Park sports centre hub.
77. Design approval and planning submission for Pelier Park expected in quarter 2. Cossall Park - final adjustments to the master plan design in progress, to be completed by early September 2019, final design and construction for Leathermarket Gardens expected in quarter 2.
78. Works at Dulwich leisure centre on the air cooling was delayed due to the contractor going into administration. This has now been resolved with a new contractor currently on site and the project is due to be completed by the end of August 2019.
79. All of projects currently in delivery are on budget within the parks and leisure capital programme. Contract awarded for the enabling works at Nunhead East lodge with works due to commence in September 2019.

Culture

80. Library Management System (LMS): The LMS is the overarching database for the library service containing book stock and library membership records. The existing LMS with Capita has been in place for over 20 years, is now no longer fit for purpose and the current contract does not represent good value for money. A new LMS provided by Civica has been procured. This LMS is more efficient, has additional functions, is more user friendly for both staff and customers and enables cost savings to be made. The project to transition to the new LMS is in progress and is anticipated to be completed by January 2020.
81. In January 2019 cabinet agreed to lease 145-147 Walworth Road in the new Elephant Park development for a new library and heritage centre. The design and fit out of these units are being progressed by Southwark council with Lendlease. Good progress is being made. Community engagement on the project has been undertaken, planning permission has been secured, and architects for the fit out have been appointed.
82. Following further technical and cost bench-marking with other comparable projects it has been concluded that additional resources will be needed to fit out the premises to meet the council's brief for the facility. In particular the costs of the display of the heritage collection which is an important and unusual aspect of the project are higher than initially estimated in the original £2.3m allocation. In total the costs of fitting out the ground floor of the premises are now anticipated to be £3.3m including contingency. Technical studies have concluded that a mezzanine floor could be deliverable at the premises and this would add an additional 150sq.m of space. The introduction of this space would provide greater flexibility for the service and would provide scope for quiet activities such as reading and study which would otherwise be difficult to provide in a single ground floor area. This option would increase the total additional resources needed to £1.8m [including contingency] resulting in a total budget of £4.1m.

This budget has been increased by a capital budget variation of £1.8m and this is reflected in Appendix C for cabinet approval.

HOUSING AND MODERNISATION

83. The total value of the Housing and Modernisation general fund capital programme for the ten years to 2028-29 is £97.0m and comprises a diverse range of activity, mostly of a corporate nature. Spend of around £17.4m is currently forecast for 2019-20.

Modernise – Corporate Facilities Management (CFM)

84. The CFM programme aims to ensure the council meets its responsibilities for ensuring its operational buildings are statutory compliant to ensure the health, safety and wellbeing of its employees and service users. This is achieved through a comprehensive inspection and assessment regime and building life-cycle maintenance programme. The forecast spend for 2019-20 is £4m.

Modernise – Queens Road 4

85. QR4 represents a critical element in the council's office accommodation strategy by rationalising existing office provision into a two-hub model at Tooley Street and the Queen's Road complex. This will enable the disposal of a number of buildings that are at or near the end of their useful life, generating cash receipts for the wider capital programme or providing development opportunities for the council's new homes programme as appropriate. Total scheme cost is £19.75m, with delivery scheduled for spring 2021. The project is currently at design stage with estimated spend of around £0.5m in-year.

Modernise – Shared Information and Communication Technology Service (SICTS)

86. There are a number of major projects underway and new projects in development; not least the proposed data centre migration to a cloud computing environment (Azure). Proposals are also being formulated to change the current operating model to ensure tangible improvements in service delivery are achieved in timescale and budget. The impending appointment of a permanent managing director to oversee the SICTS is critical to improving strategic planning, governance and operational resilience going forward. At this juncture the outturn position is shown to be in line with the original financial model, but this needs to be heavily caveated given the uncertainty in relation to the future quantum of resources required, the relative balance between revenue and capital and the planned timeline and spend profile.

Modernise – Smart Working Programme

87. The 'modern ways of working' capital programme budget exists to support investment in the delivery of smart working environments, enabling council employees to work in much more flexible and efficient ways to deliver services. The recent appointment of the strategic programme manager will accelerate the development of a comprehensive smart working programme. Funding for aspects of this programme has already been identified in Modernise, ITDS and CFM programmes and will be consolidated under the programme lead once the

resource requirement has been fully determined. In the interim, the spend forecast assumes £1m for planned activity in the current year.

Asset Management – Housing Renewal

88. Housing Renewal comprises a range of initiatives that principally support people living in private sector accommodation to remain living independently through assistance with repairs and maintenance and adaptations to their homes. Support is also provided to landlords and property owners to bring their properties back into use. The programme is largely funded through Disabled Facilities Grant (DFG) and the council's own resources for the provision of grants and loans. Forecast spend for 2019-20 is very close to target at £2.7m.

Resident Services – Traveller Sites

89. Reconfiguration and improvement works to address health and safety and compliance issues are well progressed and due to complete in 2019-20 with forecast spend of £1.1m. Works to the Ilderton Road West site have been completed, and the temporary site at Devonshire Grove, used to relocate occupants during works, has now been decommissioned. Grant funding of £1.738m has been secured from the Greater London Authority (GLA) towards the cost of this works programme.

HOUSING INVESTMENT PROGRAMME (HIP)

90. Overall, the HIP is forecast to spend £220m in 2019-20, comprising £100m on existing stock, £109m on new council homes including acquisitions and site assembly costs and £11m on wider regeneration schemes. Over the next ten years, the council is planning substantial investment in its existing housing stock and building new council homes. This level of investment will inevitably require borrowing, specifically for the new homes programme and investment in the council's heat network, which cannot be sustained through the revenue budget. At the same time, the council must ensure the HIP remains sustainable and affordable. Maintaining prudential levels of borrowing will require continuous monitoring, review and where necessary, re-profiling of programmes and projects in line with resource availability.

Quality Homes Investment Programme (QHIP)

91. QHIP is the principal strand of the council's asset management strategy for maintaining and renewing the existing housing stock and is the successor to Warm, Dry, Safe (WDS). QHIP recognises the need for a cyclical approach to maintenance and aims to address wider investment needs including internal works, such as kitchens and bathrooms. Spend in 2019-20 is forecast at £69m. In light of other programme commitments and borrowing capacity, further re-profiling of QHIP in subsequent years will be necessary.

Heat Network Strategy

92. The council's Heat Network Strategy recognises the substantial investment required in its ageing heat network. Running alongside this is the council's ambitious commitment to be carbon neutral by 2030. A report commissioned in 2016 by industry experts Parsons Brinckerhoff estimated investment of £100m over ten years and a total of £350m over forty years would be required to

address the situation. The programme to deliver the strategy is currently being developed and based on that advice an additional £50m (over and above the £50m already in the HIP) is being set aside towards meeting this commitment. This is an initial estimate and both the amount and spend profile are subject to change as the programme becomes better defined.

Special Schemes

93. The special schemes programme covers those estates identified as high need/high cost requiring extensive repair and refurbishment. The schemes by their nature are complex and resource intensive and require bespoke funding solutions outside of the main QHIP programme. Programme spend of £51m has been identified through to 2028-29, with £20m spend forecast in 2019-20, principally for the Tustin estate. Programme spend will increase as other schemes, such as the Ledbury estate tower block are progressed.

New Council Homes

94. The council aims to deliver 2,500 new council homes by 2022, with 654 having been built so far. Projects are on site to deliver a further 223 council homes and schemes to deliver a further 539 have received planning permission. Achieving the longer-term commitment to build 11,000 homes by 2043 will require more land for development than is currently available and this is reflected in the HIP with resources earmarked for site assembly. The current spend forecast is £109m for 2019-20.

Regeneration Schemes

95. Forecast spend on regeneration schemes for 2019-20 is £11m. The most significant regeneration scheme is the Aylesbury estate, which is planned in four phases. Forecast expenditure in 2019-20 is £7m which is almost exclusively for acquisitions. The project has been subject to unavoidable delays arising from the rejection of the council's original CPO application resulting in a slower acquisition completion rate for phases 1 and 2. Given the continued uncertainty further revisions to the current forecast and the overall acquisition programme are possible and will be kept under review.
96. Phase 3 environmental works on the East Dulwich estate are due to commence in this year at an estimated cost of £1.7m. The scope of the works includes playground refurbishments and new communal gardens, new car parking areas and pedestrian paving, new planting across the estate and minor drainage works.

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 programme refresh for 2018-19 to 2027-28	Southwark council Finance and Governance 160 Tooley Street London SE1 2QH	Rob Woollatt, Interim Departmental Finance Manager, Finance and Governance
Link (please copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s80724/Report%20-%20Capital%20Refresh.pdf		

APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at Month 4 2019-20
Appendix B	Housing investment programme summary monitoring position at Month 4 2019-20
Appendix C	Budget virements and variations at Month 4 2019-20
Appendix D	General fund programme detail at Month 4 2019-20
Appendix E	New capital bids

AUDIT TRAIL

Cabinet Member	Councillor Victoria Mills, Finance, Modernisation and Performance	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Rob Woollatt, Interim Departmental Finance Manager, Finance and Governance	
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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 for Finance and Governance.	N/a	N/a
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	5 September 2019	