

Item No. 12.	Classification: Open	Date: 21 September 2010	Meeting Name: Cabinet
Report title:		Capital Programme 2010-19 Quarter 1 Monitoring Report	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance and Resources	

FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE AND RESOURCES

1. The report below sets out the quarter one position on the capital programme 2010-19.
2. Overall, the general fund programme is on track to spend within the approved budget, however the profiled expenditure for 2010/11 considerably exceeds resources and this will need to be reviewed through the revised capital programme that will come to Cabinet and Council Assembly later this year.
3. Appendix C sets out recommendations for additions to the programme, together with the sources for funding these additions. Cabinet will need to consider whether to agree these recommendations.

RECOMMENDATIONS

That Cabinet:

4. Note the current monitoring position for the capital programme 2010/11 – 2018/19 for both the General Fund and Housing Investment Programme as at 30 June 2010 (appendices A and B).
5. Note the additions into the programme of budgets relating to prior decisions and the movement of existing schemes between departments. (appendix C).
6. Approve the addition of budgets into the programme, matched by additional funding secured (appendix C).
7. Note that the overall resourcing of the capital programme is being reviewed, and will be reported to cabinet in the autumn.

BACKGROUND INFORMATION

8. On 9 February 2010 the refresh of the 10 year capital programme for 2009-19 was approved by the then Executive. This approved new capital bids totalling £58.2m for the general fund programme. These new bids were for contractual obligations, health and safety pressures and identified high priorities including invest to save schemes.
9. On the same agenda as this report is the Capital Programme 2009/10 Outturn report which sets out the outturn position for 2009/10 for both the General Fund programme and the Housing Investment Programme (HIP). It also sets out the impact of the 2009/10 outturn on the budgets from 2010/11 onwards. This creates the starting position for this quarter 1 report.

KEY ISSUES FOR CONSIDERATION

Summary of spend and resources

10. The total General Fund programme for 2010-2019 totals £430.1m (appendix A). The total forecast available resources over this period are estimated to be £439.0m, an overall surplus of £9m.
11. The overall general fund programme for 2010-19 has increased by £1.2m from £428.9m to £430.1m since the outturn report for 2009/10. This is as a result of receiving confirmation of £900k of new capital grants and £300k additional application of s106 funding.
12. Overall the general fund programme for 2010-19 is on track to spend within the approved budget. However there are concerns over the profiling of spend and resources, particularly in 2010/11. A review of the existing capital programme is currently underway to identify the levels of slippage, and, if required, to ascertain which schemes are not yet contractually committed that could be reprofiled or deferred. Only if absolutely necessary will agreed projects be considered for deferral. In parallel a full appraisal of the resources will be carried out to accelerate where possible and to ensure maximisation in totality. A full report detailing the results and proposals will be made to cabinet in the autumn.
13. In February 2010, for the first time, the Head of Property developed a programme of disposals spanning ten years in line with the refreshed capital investment programme. The long term disposals programme provides a good deal of strategic planning for capital resources moving forward. However due to the volatility in market conditions both in demand and price this needs to be closely monitored and reviewed regularly in order to reflect the best estimates available at the time. This monitor has been updated to reflect the latest position and though there is an overall reduction on that last reported this will continue to be monitored closely by officers and the position updated accordingly. The overall programme remains funded.
14. The total Housing Investment Programme (HIP) for 2010-2016 totals £450.6m and is fully funded.
15. The commentary below on the latest monitoring position sets out the main achievements and potential issues arising by service department.

Comments on Capital Programme by Service

General Fund (Appendix A)

Children's Services

16. The Children Service's capital programme totals £73m and is funded from capital receipts, DfE grants, Sure Start capital, DSG reserves as well as insurance claims and other resources.
17. This is a significant Council programme consisting of major rebuilding works for a number of schools as well as a range of minor remodelling and improvement projects, such as classrooms to reflect growing pupil numbers, youth clubs, children's centres and play projects.
18. In 2010/11 £35.4m is forecast to be spent compared against a budget of £35.1m. The most significant projects due for completion later this year being the new school for Michael Faraday, the refurbished and extended Eveline Lowe and the Children's Centre at Bessemer Grange.
19. Over the school summer holidays several schemes are going ahead such as Heber school where new primary places are being added in time for the new next academic year in September.
20. As at quarter one, there is no slippage anticipated in the current year's programme, although it may be subject to change in the light of government review of capital schemes. For instance, the DfE have recently reviewed this year's Surestart capital programme and grants, the impact of this will be reported at quarter two.

Health and Community Services

21. The day service at Cherry Garden Street will open in August 2010 while the Aylesbury Resource Centre is expected to complete and open in November 2010. Both projects are forecast to be delivered on budget. Health & Community Services also receives four capital grants from the Department of Health which are forecast to be fully spent this year. In the current financial climate, and having received no notification of future year allocations, it is prudently assumed that these grants will not continue beyond 2010/11.

Regeneration and Neighbourhoods

22. The main focus of Regeneration and Neighbourhood 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.
23. The department is on course to deliver various projects aimed at improving road safety, encourage greener and sustainable modes of transportation in the borough as well as supporting the commercial viability of local shopping areas through environmental improvements; trader empowerment and continued business support.

24. The current total value of capital programme for the department over 2010/11-2018/19 is £35.8m. This includes a budget reduction of £3m for the transfer of the property works programme and work to council buildings to Finance & Resources department following the transfer of corporate facilities management from Regeneration & Neighbourhoods' department. The current total forecast of £35.8m is within the overall budget

Environment and Housing

25. Following the 2009/10 capital outturn report, the departmental capital budget for 2010/11 has increased by £122k. The following table analyses the increase and provide a breakdown of the additional funding secured:

	£000	
New funding identified:		
Camberwell Leisure Centre	198	Section 106 £98k and London Marathon £100k
Amelia Street	29	External funding from First Base Ltd already received
Bermondsey Spa Gardens	43	Section 106
Rye Lane	232	TfL funding
Sub total	502	
Reductions:		
Denmark Hill/Champion Hill	(380)	External funding not yet secured – originally phased over two years
Net Increase	122	

26. Against the revised capital budget of £39.2m for 2010/11, the latest forecast spend for the year is expected to be around £39.0m (99%). The main projects within each division, their progress and reasons for slippages or accelerated spend during the year are set out below. Overall, it is anticipated that the estimated total cost of the projects can be contained within the total programme of £87.5m for the period 2010-19.

Sustainable Services

27. The Waste PFI contract has been running for nearly two years and has already provided significant benefits to the Council, even before the new waste processing facilities are built on the Old Kent Road.. Site preparation works are now complete. The construction of the new facility road access and associated works are currently in progress. The project is currently projected to be within budget. Work on the main facility commenced in June 2010 and is expected to complete by December 2011 to be fully operational during January 2012.

28. SELCHP & MUSCO Decentralised Energy Initiatives: £1m capital fund was allocated for professional services required to undertake two large scale Decentralised Energy initiatives in Southwark, (technical, legal, financial & commercial negotiation services). These initiatives will deliver large scale, long term, low or zero carbon energy provision, with secure supply and stabilised energy prices for the future for a significant number of our council tenants and leaseholders. All with no capital infrastructure cost to the council. The MUSCO initiative is nearing the end of it's feasibility stage, and the SELCHP initiative is about to enter its commercial negotiation stage.

Public Realm

29. CGS programme – The programme budget for 2010/11 of £6.2m includes the annual allocation of £3.25m along with £3m from previous years and is projected on target.
30. Asset Management and Projects are projected to deliver their programmes within budget and time. All schemes now have member and stake holder approval and are programmed for delivery. Quarterly updates on all capital schemes are now provided to all ward councillors.
31. Burgess Park Revitalisation Project - We are currently going through the procurement process to contract a company to undertake the first phase of works, which is due to begin by February 2011. The work must be completed by March 2012.

Culture, Libraries, Learning & Leisure

32. Dulwich Leisure Centre: Phase 1 works are due to be completed in September 2010, directly after which Phase 2 works will commence. Phase 2 includes a refurbished gym hall, new dry side changing areas, restoration works to the existing East Dulwich Road entrance building, and finalisation of all remaining areas across the centre. The entire project is due to be completed in Spring 2011.
33. Camberwell Leisure Centre – work on the refurbishment of the Centre got underway in 2009. Funding of the £4m project consists of £2.5m Council funds and £1.5m external funding, and enables the Council to refurbish the gym and gym changing facilities as well as the pool. This will allow the centre to offer a greater service mix to customers and (importantly) increase gym memberships which are the main source of income for leisure centres. Our contract with Fusion means a proportion of increased income returns to the Council. The project is due for completion during February 2011.
34. Southwark Park Athletics Stadium. The planning permission requested for refurbishment of the facility was rejected. Options for the future of this project are now being reviewed.

Southwark Schools for the Future

35. The overall SSF programme continues to be managed within the available budgets. Further milestone payments of £0.4m have been made for Walworth Academy as snagging items have been completed. The final cost of the academy may include unbudgeted costs for asbestos works and an appropriate amount has been set aside from the programme contingency to cover this eventuality.
36. St Michael's PFI school is on target for opening in January 2011. Staged capital contributions of £0.4m have been made and a further £1m will be made in 2010/11.
37. Tuke school is progressing ahead of the original programmed completion date of December 2010 and it is hoped that it will be ready to open in September 2010. Further milestone payments of £3m have been made.

Deputy Chief Executive Services (DCE) and Finance & Resources

38. Under facilities management (FM), there is a forecast of £3m for the property works programme and works to council buildings (DDA) Programme. All of this expenditure is committed. The FM programme transferred from Regeneration to Finance & Resources in January 2010. Based on past experience with the property works programme, there is a risk that the £3m budget may not be sufficient dependent on emerging issues over this financial year. Risks include building closure, loss of service delivery and serious H&S/compliance ramifications.
39. On an ongoing basis there are calls for DDA works, generally as part of funded new build or refurbishment programmes, which are met through a contribution for specific DDA related works from the DDA capital budget. There is a draft programme of DDA works that are required for full compliance. To implement all of these would require additional funding. However in the current financial climate with the continuing uncertainty on building retention, the risk will be managed and DDA issues will be dealt with on an individual building basis. This will require utilisation of this budget as and when required.
40. Information Services (IS) projects have now moved to Finance & Resources. The current profile shows that the IS projects will complete in 2011/12. The IS Strategy is currently being implemented to deliver further modernisation and infrastructure requirements in conjunction with the Office Accommodation Strategy and the Council's Modernisation Agenda and has improved operational governance by introducing a program to look at meeting targets and dependencies.

Housing Investment Programme

41. The 2010 housing investment programme (HIP) aims to deliver capital investment of £109m to improve housing in Southwark. This includes planned expenditure of £11m within the General Fund and £98m on the council's own stock within the HRA. Actual capital expenditure as at quarter 1 was £0.5m and £9.26m respectively.

Housing General Fund

42. The travellers' site scheme at Burnhill Close is progressing on site, using government gypsy and travellers' sites grant funding already received. Further consultation will take place soon with residents of the Springtide travellers' site. This is to develop scaled-back plans for the scheme following advice that additional grant funding will not be available for the project.
43. First stage Affordable Housing Fund payments on the two Housing Association schemes at Ivydale Road and Canada Water are expected this year, with the balance due in 2011.
44. Demand remains high for Disabled Facilities Grants within the Housing Renewal programme, with expenditure of £340k funded by government grant. Further sub-regional targeted funding has been awarded for the continuing private sector repair loans and empty homes grants, to cover anticipated expenditure of £500k. This is in addition to the £420k targeted funding received for solar heating to 60 properties in Peckham, which project will start in December following pilot schemes in October. The Low Carbon Zone group repair scheme is due to start on site in January.

HRA programme (Appendix B)

45. The HIP is resource-led, and forecasts reflect the anticipated level of available resources. With no government borrowing approval beyond the current year, there is increased reliance on other resources including capital receipts to fund the programme, and the current disposals policy is being reviewed in this light. Meanwhile, current market conditions have led to a more cautious approach to the profiling of receipts, and resource assumptions have been revised. This has resulted in a reduced resources showing in the programme for the current reporting period, although this should be redressed in the longer term.
46. The programme of strategic safety works continues, funded from the allocation approved by Executive in February 2010 following the two major fires at Lakanal and Sumner Road last year. This is reported in more detail in the 2009/10 outturn report.
47. Leasehold acquisitions continue on Aylesbury and Heygate with expenditure of £640k this year to date. Additional provision has been identified within the programme for the future continuation of the Aylesbury project to cover demolition and PFI procurement stages.
48. The HRA programme includes an allocation of £40m for Decent Homes, and it is anticipated that 1,700 dwellings will be made decent in 2010/11. The new stock condition data is now in use to maximise the effectiveness of this allocation.
49. Additional sub-regional targeted funding of £800k has been secured for 2010/11 through the South East London Housing Partnership extensions and deconversions programme. Nine properties will be enlarged through the major voids contract, while a further four will be extended through separate contracts.

50. Two new build schemes under the HCA Challenge Fund programme to deliver 19 new council homes at Brayards Road and Lindley Estate are being worked up. Planning applications are being considered, and a start on site is anticipated in Q3. The HCA bidding requirement that the council's expenditure on these schemes should be met from prudential borrowing is currently being revisited, and further consideration will be given to the balance of borrowing and other resources. The position will be updated for inclusion in the next monitor.

Community impact statement

51. This monitoring report is considered to have no or a very limited direct impact on local people and communities, although of course the capital programme itself will deliver significant enhancements to the amenities and infrastructure of the borough.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Capital monitoring working papers	160 Tooley Street	Funmi Kosoko 020 7525 0642

APPENDICES

No.	Title
Appendix A	General Fund summary
Appendix B	Housing Investment Programme summary
Appendix C	Funded variations

AUDIT TRAIL

Cabinet member	Councillor Richard Livingstone - Finance and Resources	
Lead officer	Duncan Whitfield - Finance director	
Report author	Cathy Doran – Finance & resources	
Version	Final	
Dated	9september 2010	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	No	No
Finance Director	Yes	Yes
Date final report sent to constitutional team		9 September 2010

GENERAL FUND SUMMARY MONITORING POSITION																			APPENDIX A		
DEPARTMENT	2010/11						2011/12						2012/13+			Total Programme 2010/11 - 2018/19					
	Agreed Budget 2010/11	Budget Virement 2010/11	Funded Variation 2010/11	Revised Budget 2010/11	Forecast 2010/11	Variance 2010/11	Agreed Budget 2011/12	Budget Virement 2011/12	Funded Variation 2011/12	Revised Budget 2011/12	Forecast 2011/12	Variance 2011/12	Agreed Budget 2012/13+	Forecast 2012/13+	Variance 2012/13+	Total Agreed Budget to 2018/19	Total Budget Virement	Total Funded Variation	Total Revised budget 2010/11 to 2018/19	Total Forecast	Total Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Children's Services	35,076		0	35,076	35,370	294	13,195			13,195	19,045	5,850	24,559	18,415	(6,144)	72,830	0	0	72,830	72,830	0
Southwark Schools for the Future	59,789		0	59,789	59,789	0	135,810			135,810	135,810	0	6,633	6,633	0	202,232	0	0	202,232	202,232	0
Deputy Chief Executives & Finance & Resources	1,999	1,059	0	3,058	3,157	99	1,900	1,945		3,845	3,845	0	0	0	0	3,899	3,004	0	6,903	7,002	99
Environment and Housing	38,718		502	39,220	39,020	(200)	15,343	0		15,343	15,163	(180)	33,348	33,348	0	87,409	0	502	87,911	87,531	(380)
Health & Community Services	6,237	0	0	6,237	6,237	0	0	0		0	0	0	0	0	0	6,237	0	0	6,237	6,237	0
Housing General Fund	10,475	0	500	10,975	11,105	130	6,972	0		6,972	6,842	(130)	191	191	0	17,638	0	500	18,138	18,137	(1)
Regeneration & Neighbourhoods	31,565	(2,519)	194	29,240	29,227	(13)	6,958	(485)		6,473	6,474	1	115	112	(3)	38,638	(3,004)	194	35,828	35,812	(16)
TOTAL	183,859	(1,460)	1,196	183,595	183,905	310	180,178	1,460	0	181,638	187,179	5,541	64,846	58,699	(6,147)	428,883	0	1,196	430,079	429,781	(298)
FINANCED BY:																					
Capital Grants unapplied balance as at 31.03.10	15,371			15,371	15,371	0	0			0						15,371			15,371	15,371	0
Capital Grants unapplied balance as at 31.03.10 - S106	7,889			7,889	7,889	0	0			0						7,889	0	0	7,889	7,889	0
Corporate Resource Pool	37,153			37,153	27,550	(9,603)	28,575			28,575	24,150	(4,425)	133,000	122,650	(10,350)	198,728	0	0	198,728	174,350	(24,378)
Payback of Housing Receipts	(9,178)			(9,178)	(9,178)	0	0			0					0	(9,178)	0	0	(9,178)	(9,178)	0
General fund Contribution to HIP	(5,277)			(5,277)	(5,277)	0	(5,000)			(5,000)	(5,000)		(5,000)	(5,000)	0	(15,277)	0	0	(15,277)	(15,277)	0
Supported Borrowing	0			0	0	0	0			0	0	0	0	0	0	0	0	0	0	0	0
Reserves & Revenue	1,487			1,487	618	(869)	923			923	1,430	507	571	0	(571)	2,981	0	0	2,981	2,048	(933)
Capital Grants	86,820		832	87,652	87,599	(53)	139,608			139,608	144,518	4,910	15,836	10,955	(4,881)	242,264	0	832	243,096	243,072	(24)
Section 106 Funds committed	6,822		335	7,157	7,333	176	1,400			1,400	1,120	(280)	0	0	0	8,222	0	335	8,557	8,453	(104)
Section 106 Funds - new	2,060			2,060	2,060		788			788	788		6,163	6,163	0	9,011	0		9,011	9,011	0
External Contributions	355		29	384	201	(183)	10			10	0	(10)	3,110	3,071	(39)	3,475	0	29	3,504	3,272	(232)
TOTAL RESOURCES	143,502	0	1,196	144,698	134,166	(10,532)	166,304	0	0	166,304	167,006	702	153,680	137,839	(15,841)	463,486	0	1,196	464,682	439,011	(25,671)
Forecast variation (under)/over				49,739	10,842		13,874	1,460			20,173	4,839	(88,834)	(79,140)	9,694	(34,603)				(9,230)	25,373
Cumulative position							13,874	1,460			69,912	15,681	(74,960)	(9,228)	25,375						

Appendix B

2010/11 Capital Programme Forecast Housing Investment Programme

Description	2010				2011			2012			2013/14-2015/16			All years total		
	Budget	Spend to date	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
Programme	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Decent Homes and associated works	49,986,777	5,371,337	45,088,727	-4,898,051	54,729,326	44,879,721	-9,849,605	59,175,002	50,331,678	-8,843,324	188,292,000	127,340,442	-60,951,558	352,183,106	267,640,568	-84,542,538
Landlord obligations	21,396,945	177,355	14,728,834	-6,668,111	11,517,200	16,877,335	5,360,135	7,194,985	7,200,000	5,015	21,600,000	21,600,000	0	61,709,130	60,406,169	-1,302,961
Regeneration schemes	14,526,532	1,107,978	10,588,957	-3,937,575	14,956,619	3,221,983	-11,734,636	0	4,605,903	4,605,903	0	17,226,226	20,586,000	29,483,151	35,643,069	6,159,918
Other	7,398,494	1,783,049	10,910,187	3,511,693	4,067,061	8,454,034	4,386,973	3,787,744	4,998,781	1,211,037	4,200,000	4,199,232	-768	19,453,299	28,562,234	9,108,935
Strategic Safety works	5,102,964	178,612	5,414,896	311,932	5,257,565	4,950,648	-306,917	5,005,015	5,000,000	-5,015	0	0	0	15,365,544	15,365,544	0
Heygate	5,387,420	480,247	5,687,420	300,000	2,589,545	2,276,801	-312,744	0	379,662	379,662	0	0	0	7,976,965	8,343,883	366,918
Aylesbury	3,540,000	164,413	5,611,000	2,071,000	4,637,747	9,662,000	5,024,253	0	10,434,000	10,434,000	0	8,919,000	8,919,000	8,177,747	34,626,000	26,448,253
TOTAL HIP SPEND	107,339,132	9,262,991	98,030,021	-9,309,112	97,755,063	90,322,522	-7,432,541	75,162,746	82,950,024	7,787,278	214,092,000	179,284,900	-31,447,326	494,348,942	450,587,467	-43,761,475

Financed by	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Corporate resource pool	5,109,726	178,612	5,417,163	307,437	5,583,331	4,950,648	-632,683	5,005,015	5,311,986	306,971	0	18,275	18,275	15,698,072	15,698,072	0
Housing receipts **	26,716,165	1,180,223	22,826,000	-3,890,165	36,417,000	33,057,000	-3,360,000	25,571,250	25,571,250	0	78,570,000	42,630,226	-35,939,774	167,274,415	124,084,476	-43,189,939
Supported borrowing **	12,526,000	5,000,000	12,526,000	0	0	0	0	0	0	0	0	0	0	12,526,000	12,526,000	0
Reserves & revenue **	15,883,053	0	13,384,484	-2,498,569	13,139,149	14,082,153	943,004	6,833,508	7,937,008	1,103,500	20,436,000	20,463,709	27,709	56,291,710	55,867,354	-424,356
Capital grants	5,187,142	493,983	4,474,142	-713,000	4,967,240	318,716	-4,648,524	0	6,151,777	6,151,777	0	0	0	10,154,382	10,944,635	790,253
Section 106 funds	85,240	0	3,258	-81,982	14,760	100,000	85,240	0	8,704	8,704	0	0	0	100,000	111,962	11,962
MRA**	37,572,896	2,410,173	37,575,181	2,285	37,485,252	37,665,674	180,422	37,752,973	37,969,299	216,326	115,086,000	116,172,690	1,086,690	227,897,121	229,382,844	1,485,723
External contributions	4,258,910	0	1,823,793	-2,435,117	148,331	148,331	0	0	0	0	0	0	0	4,407,241	1,972,124	-2,435,117
TOTAL HIP RESOURCES	107,339,132	9,262,991	98,030,021	-9,309,112	97,755,063	90,322,522	-7,432,541	75,162,746	82,950,024	7,787,278	214,092,000	179,284,900	-34,807,100	494,348,942	450,587,467	-43,761,475

