

Item No. 10.	Classification: Open	Date: 20 September 2011	Meeting Name: Cabinet
Report title:		Quarterly Capital Monitoring Report Quarter 1	
Ward(s) or groups affected:		All wards	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

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

This report sets out the position of the council's capital budget for the first quarter of 2011/12. The report also feeds in the decisions on the ten-year capital programme taken by council assembly in July, including the amendments made in relation to both Peckham Rye Station Square and Seven Islands Leisure Centre. Cabinet will recall that a further report will be presented in 2012 considering the allocation of remaining resources in the later years of the ten-year programme.

The report includes both the general fund capital programme and the Housing Investment Programme and gives detail of variations.

The report also asks us to approve the reprofiled general fund capital programme budget and approve the virements and funded additions to the programme set out in Appendix C. I would therefore recommend that cabinet, after due consideration, agree the recommendations set out below.

RECOMMENDATIONS

That Cabinet:

1. Approve the addition of budgets into the programme, matched by additional funding secured since the last report to cabinet.
2. Note the current monitoring position for the capital programme 2011–2021 for both the General Fund and Housing Investment Programme 2011–2016 as at the 30 June 2011 (Appendices A, B and D).
3. Note the additions into the programme of budgets relating to existing cabinet decisions and the movement of existing schemes between departments. (Appendix C).
4. Allocate the necessary capital resources to redevelop the area immediately in front of Peckham Rye Station, with the aim of reinstating the heritage of the station and to create new retail and other opportunities around the station to enhance the potential for the area, as requested by Council Assembly on 6 July 2011.

5. Bring forward the work on Seven Islands Leisure Centre by a year, to start in the 2014/15 financial year, as requested by council assembly on 6 July 2011.

BACKGROUND INFORMATION

6. On 21 June cabinet recommended the capital programme 2011-21 to council assembly.
7. On 6 July 2011 council assembly agreed the capital programme for 2011-21, with three amendments. These were to use £50k of LPSA reward grant revenue funding for retaining school crossing patrols in 2011/12; that cabinet consider the allocation of the necessary capital resources to redevelop the area immediately in front of Peckham Rye Station; and to bring forward the work on Seven Islands Leisure Centre by a year, to start in the 2014/15 financial year. This agreed capital programme forms the basis of this Quarter 1 return to cabinet.

KEY ISSUES FOR CONSIDERATION

Summary of spend and resources

8. The original expenditure budget for the general fund programme for 2011/12 of £119.5m has been increased by £3.3m to £122.8m. These additional budgets relate to: a children's services project at Cator Street; some additional grant funding in environment; and new Transport for London grant within regeneration and neighbourhoods. The current forecast expenditure for the year is showing a favourable variance of £1.2m. This relates to a reprofiling within the waste programme in environment; a delay on one of the travellers' site projects within the housing general fund programme; and a reprofiling of expenditure on the streetscape improvements programmes within regeneration and neighbourhoods.
9. The reprofiling of £1.2m of expenditure from 2011/12 into later years has reduced the forecast variance between expenditure and expected income to £11.8m. £800k of the resources funding this expenditure have also been reprofiled into later years, which explains the movement of the forecast variance of spend over financing for 2011/12 from £12.2m at the start of the year to the current position of £11.8m. The existing capital programme continues to be reviewed throughout the year to monitor the progress of schemes to identify those which will not achieve the level of spend anticipated at the start of the year, and at this stage the apparent 'over-programming' is not considered to be a cause for concern.
10. The total general fund programme for 2011-21 totals £366.1m (Appendices A and D). The total forecast available resources over this period are estimated to be £419.8m, an overall surplus of £53.7m. These surplus resources do not become available until the later half of the programme, from 2015/16 at the earliest.
11. The original budget of the housing investment programme for 2011/12 remains unchanged at £99.6m. However, £15.9m of expenditure has been reprofiled into later years giving a revised forecast expenditure of £83.7m. The reasons for the reprofiling of this expenditure are detailed in paragraph 58.

12. This monitor is projecting an overall general fund capital receipts of £221.7m. This position will continue to be monitored very closely by officers.
13. 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 (Appendices A and D)

Children's Services

14. The overall capital programme for Children's Services 2011-21 totals £61.6m; this includes the additional £12.5m of new capital funding allocated in 2011/12 to Southwark for new school places and building maintenance. For the current financial year, the budget totals £15.0m; this takes into account additional budget for the refurbishment of Cator Street of £970k funded from earmarked reserves including Dedicated Schools Reserves. At this early stage in the year no variances are reported on the capital programme.
15. Two of the major schemes in the primary capital programme completing this year are: the new Michael Faraday school which has now opened and the rebuilt and the refurbished Eveline Lowe (now renamed Phoenix) primary school due to be operational September 2011. 4 Futures has been commissioned to commence design work on Southwark Park primary school, with completion anticipated in 2013. £12.5m remains allocated over 2011-14 to enable the relocation and enlargement of Cherry Garden Special and refurbishment of Gloucester Primary schools.
16. Over the summer holidays works are taking place at Alma, Goose Green and St Johns and St Clements primary schools to provide an additional 90 places in September 2011 to meet the increased demand for pupil places in the borough.
17. In addition, works that are starting over the summer school holidays include urgent heating works at Crawford primary school; various projects relating to the delivery of free healthy school meals and a scheme of works at Crampton primary school including a new build nursery and increasing capacity for future bulge class. Further, in early October work will start on new classroom at Haymerle school, which is increasing its capacity from increase in size from 64 to 72 pupils as part of its change of specialism from moderate learning difficulties to autism.

Southwark Schools for the Future

18. At this early stage in the year no variances are reported on the capital programme. The phase 2 schools that entered into contract in August 2010 are on target for their planned completion dates: works to Spa school are due to be completed in September 2011; St Thomas the Apostle college is due for phase 1 completion in January 2012 and phase 2 completion in September 2012; New School Aylesbury (NSA) is due for completion in April 2012 and works at Sacred Heart will commence once the school decants into NSA.
19. Bids are being developed for the phase 3 schools. Contract awards for St Saviour's & St Olave's, Notre Dame and Bredinghurst reached financial close in

July 2011. Contract awards for SILS KS3, St Michael's & All Angels and the co-located Highshore are expected to be made in December 2011.

20. Further discussions are being held with Partnerships for Schools in regard to updated pupil place planning data and secondary places provision for Rotherhithe and KS4.

Health and Community Services

21. The Health and Community Services capital programme reprofiled £1.69m into 2011/12 for the Southwark Resource Centre (SRC) project. This is due to delays in completing the building as well as a retention fee payable 12 months after completion. For 2011/12 the SRC programme is estimated to spend £1.3m, with a forecast balance of £358k rolled into 2012/13. This forecast balance is based on present quotes and estimates and is to be taken with caution as they are subject to frequent fluctuations as more information, inspection or risk assessment reviews are available. Major building works are now complete, but some post completion works are still being undertaken and there is a one year period of retention that ends in June 2012.
22. There is a new Department of Health Capital Grant for 2011/12 of £818k, the "adult personal social services capital allocation" which is allocated using the total adult's social care relative needs formula. The grant is earmarked for enabling continued capital investment to support delivery of adult social care services and for developing community capacity.
23. The transformation in adult social care capital grant of £187k was rolled forward into 2011/12 and is earmarked for phase 2 of the Carefirst upgrade programme, which will occur in 2011/12. This budget was transferred to the finance and resource capital budget as the Carefirst upgrade project is being centrally managed.
24. There is a rolled forward residue from 2010/11 single capital pot mental health grant of £58k. This is being forecast to be fully utilised in 2011/12.

Regeneration and Neighbourhoods

25. The capital budget for the department for 2011/12 has increased from £16.9m to £19.1m as a result of additional Transport for London (TfL) grant funded schemes. The forecast expenditure against this budget is showing a favourable variance of £705k due to reprofiling within the streetscape improvement projects.
26. The total capital budget over the 2011-2021 period has increased from £27.5m to £41.1m, of which £2.2m relates to the additional TfL grant in 2011/12; a further £800k of TfL schemes in 2012/13; £400k from new S106 allocations; and £10m relating to the new scheme at Peckham Rye station.
27. Economic development and strategic partnership (ED&SP) has forecast expenditure of £4.9m for 2011/12. The capital projects programmed for completion during the 2011/12 financial year include the Cathedral Steps environmental improvements and the Legible London way-finding system (working with colleagues in the public realm department). A number of projects are currently under development and due to start on site this financial year including St Mary Magdalene park improvements and St John's Churchyard.

With regard to the improving local retail environments (ILRE) scheme, 15 sites are currently under construction and the remaining nine sites are programmed to commence works in July 2011.

28. Following the spending review, TfL announced that the grant funding allocation for 2011/12 was to be reduced by a headline rate of 3%. For one element of the grant funding, the corridors neighbourhoods and supporting measures programme, this equated in real terms to a reduction in the capital allocation of 6.5%. The principal road renewal, major schemes and discretionary funding were however unaffected by this funding cut.
29. The planning and transport division have forecast expenditure of £3.5m in 2011/12. This is the first delivery year of the transport improvement programme which is the three year plan contained within the borough's transport plan. Key projects include delivery of improvement works in various locations across the borough including East Dulwich, Peckham Rye, West Walworth, Forest Hill, and Paxton Green amongst others. This will deliver improvements to bus journey time, road safety, improved access to town centres and aide the promotion of sustainable and active modes of transport.
30. The property services division have forecast expenditure of £9.9m in 2011/12, of which £6.3m relates to the Canada Water development, planned to complete this year. Consultation with local residents has now commenced on the delivery of a new community centre for Nunhead, the majority of the forecast spend to be achieved in 2011/12.
31. The office accommodation strategy has a capital budget of £10.7m to deliver a four-year programme of office rationalisation to ensure fit for purpose, accessible, affordable and sustainable accommodation for all staff and customers, reducing financial, reputational and human resources risks to the council and to free up as strategic regeneration sites for disposal, with the receipts available to support capital priorities. Anticipated receipts generated from this programme are in excess of £11m and have been included within the receipt forecast figures funding the general fund capital programme and the housing investment programme. Preliminary works are underway on the first projects, and forecast expenditure of £3m is planned for this year
32. On 6 July 2011, council assembly requested that cabinet consider the allocation of the necessary capital resources to redevelop the area immediately in front of Peckham Rye Station, with the aim of reinstating the heritage of the station and to create new retail and other opportunities around the station to enhance the potential for the area. An initial sum of £10m has been allocated in the capital programme for this project, starting in 2015/16. The allocation and its profile are indicative figures and further work will be undertaken at a later date to work up more detailed proposals. These proposals will be the subject of a future report to cabinet, at which time more detailed cost information will be provided.

Environment Department

33. The departmental capital review board scrutinised forecasts of all projects and their profiling to arrive at a more realistic estimate of expenditure for the year. Environment department's latest approved capital budget for 2011/12 is £118.9m against the projected spend of £118.9m. The overall forecast includes a small adverse variance of £16k on the Dulwich Leisure centre project in Culture,

Libraries, Learning and Leisure division. The virement to fund this variance will be determined during the course of the year when expenditure is finalised for some of the projects due for completion during the year. The progress of major schemes is outlined below.

Sustainable Services

34. The Waste PFI contract has been running for three and a half years and has already provided significant benefits to the Council, even before the new waste processing facilities are operational on the Old Kent Road. The key objective of the project is to provide a sustainable long-term solution for the collection, treatment, recycling and disposal of municipal waste in the borough, capable of meeting high national and local performance targets and delivering ongoing service improvement over the duration of the contract. The service is well on track to achieving these goals. In addition, day to day service measures, such as missed collections and container deliveries are very good, with very few missed collections or other performance issues.
35. The construction of the new facility's road access and associated works are currently at a fairly advanced stage and is on track to be completed in time for the new facilities' operation. The commissioning of the new facilities will begin in the autumn and the site is expected to be fully operational during January 2012. The project is expected to be delivered within budget.
36. South East London Combined Heat & Power (SELCHP) Decentralised Energy Initiatives: Officers are currently working on heads of terms and financial model with Veolia. A project update will be provided to the cabinet in the autumn.

Public Realm

37. The 2011/12 Cleaner Greener Safer (CGS) capital budget is £5.1m brought forward from previous years. The latest projection for 2011/12 indicates a total spend of £5.1m. However, following the reorganisation of the delivery team, this is being reviewed and any revisions in the projections will be reported in the 2nd quarter.
38. Non principal road programme is projected to deliver its programme within budget and time. The final programme was agreed by the cabinet member for transport, environment and recycling in August 2011.
39. Burgess Park Revitalisation Project: after an extended value engineering process, the contract sum was agreed in June 2011. The contractors started on site on the 20th June for a 30 week programme and anticipate completing in January 2012. The park is likely to remain closed until the grass has grown, which should be by March 2012. This is in line with the GLA funding agreements.

Culture, Libraries, Learning & Leisure

40. Dulwich Leisure Centre - phase 2 is now complete and 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 centre opened to the public in June 2011 and the contract is now in the defects liability period.

41. Camberwell Leisure Centre - work on the refurbishment of the centre got underway in 2009. Total cost for the first two phases is projected to be £5.2m. Phase 1 of the Camberwell refurbishment included the new entrance, cafe, swimming pools and wetside changing rooms, and opened at the end of February 2011. The second phase (including the gym; dayside changing rooms; Warwick Hall and the youth facility) will open in late 2011 but the timing is subject to listed building consent being granted.
42. A third phase of refurbishment is planned for Camberwell Leisure Centre. Phase 3, with a total intended budget of £1.0m which will comprise the refurbishment of the sports hall. An amount of £521k was allocated to this project through the Capital Programme 2011-21 report. This will not, however, be committed until the outcome of the £493k bid being made by The Friends of Camberwell Baths to the Council's Olympic Legacy Fund is known, as a successful bid will increase the available budget. The announcement of successful bidders is scheduled for October 2011.
43. Pynners Sports Ground reinstatement works - A total budget of £600k has been allocated to this project, which is being managed by Property. Current estimated completion date is November 2011. Although there has been some delay to the project, it is still forecasted to come in on budget.
44. New Elephant & Castle Leisure Centre – Gateway reports totalling £1.9m have been signed off in order to progress the appointment of 4 Futures to undertake a design & planning submission.
45. Olympics legacy fund - a total amount of £2m was committed to this fund by the Capital Programme 2011-21 report agreed by council assembly in July 2011. Of this, £1.5m is profiled for 2011/12. Bids have been submitted and funds will be awarded to successful bidders during October 2011.

Housing General Fund

46. The housing general fund programme totals £14.1m for investment in housing other than the council's own housing stock. The programme covers four main areas of activity.

Renewal Areas

47. The East Peckham renewal area group repair scheme, for the external improvement of private, council and housing association homes, has been approved and will start on site this summer. The scheme includes insulation works to some properties, attracting grant funding through the community energy saving programme (CESP).
48. Further energy saving works within the renewal area programme will also start this summer following survey work already carried out. These will provide solar heating to approximately 60 homes, for which GLA grant funding of £420k has been received.

Housing renewal

49. It is assumed that central government funding for mandatory disabled facilities grants (DFGs), for which the council has an obligation to meet demand, will continue at the current level of £515k per year in support of this activity. The GLA is no longer awarding grant funding for improvement loans and empty homes grants, from which the programme has benefited in recent years.

Travellers' sites

50. Works to improve the Burnhill travellers' site were completed in May. A small overspend is currently forecast, although the final account has yet to be agreed. If additional funding is required it is anticipated that this can be made available within the overall travellers' sites programme budget.
51. Following consultation on the scheme to improve the Springtide travellers' site, plans have been drawn up and submitted for consideration by residents. This scheme will use the balance of government funding received for this programme. Legal advice has been received regarding responsibility for the retaining wall at the Ilderton Road travellers' site, and Network Rail has been approached regarding the necessary works.

Affordable Housing Fund

52. Following consultation, a planning application is awaited from the housing association developing the Ivydale Road site, following which the AHF contribution may need to be reassessed. Council contributions to the scheme are funded entirely from developer S106 contributions.

Finance & Resources

53. The facilities management (FM) overall forecasts for property works programme (PWP) and works to council buildings (DDA Programme) remain on budget. £140k final instalment of Tooley Street retention monies and PWP works are forecast to complete in the current year.
54. The addition of the Carefirst upgrade programme to the information and data services division (IDSD) programme has increased current year budgets by £645k. Although none of this has been spent to date, it is forecast that spend will be on target for the current year.

Housing Investment Programme (Appendix B)

55. The draft 5-year programme approved by cabinet on 31 May included capital expenditure of £414.8m, which figure has since increased by approximately £2.3m overall. The main changes are within the warm, dry, safe programme, where budget allocations have been revised between expenditure headings to reflect the detail of the 5 year draft programme in the appendix to that report. There is an increased requirement of £4.6m for fire safety works in 2012/13 (reducing to £3.5m over 5 years), for which additional revenue resources have been identified.

56. Expenditure of £16m has been reprofiled from 2011/12 into 2012/13 and 2013/14 in the overall programme forecast. The majority of this (£10.2m) is in the warm dry safe programme, and is due to a combination of factors. Existing schemes have been resurveyed in line with the revised warm, dry and safe standards agreed, while specifications for fire safety works have been revised to meet fire brigade and building control requirements. A date is still awaited for the Leasehold Valuation Tribunal hearing relating to the partnering contracts, pending which it is not possible to bring forward new schemes.
57. With the demise of the PFI the Aylesbury PPM programme is to be redrawn, with £2.5m reprofiled into future years. There is also reprofiling of £1.2m on the scheme for drainage improvements and environmental works at East Dulwich Estate, for which a joint planning application together with the new build scheme is expected. Fire reinstatement works are due to begin soon at Sumner Road, following delays leading to the reprofiling of £1.3m of expenditure. Revised estimates for these works are £277k less than previously anticipated, while insurance contributions are £300k more, although these are still the subject of negotiations with the council's insurers.
58. The forecast cost of the remaining lease repurchases for Heygate remains at £300k less than budget, although the full budget provision will be retained at this stage as the final figure depends on valuations yet to be agreed. It is estimated that the provision for digital switchover will not be required in full, with savings of up to £600k. The provision required for major voids is forecast to reduce by £687k this year following approval of the revised disposal criteria which may result in fewer properties for inclusion in the programme.
59. Forecast resources to fund HIP expenditure have been adjusted in line with revised estimates. Revised calculations for the level of major repairs allowance (MRA) due to the council have resulted in an estimated increase of approximately £2.8m over the 5 year programme. The anticipated level of new homes bonus due to housing has been revised in line with figures in the Capital Programme 2011-21 report, an overall increase of £846k. The forecast level of Social Housing Grant linked to the sale of Aylesbury sites has been reduced following clarification of how this is accounted for - approximately £3m of the amount previously forecast has already been received. Other adjustments reflect the increases for fire safety and reinstatement works referred to above.

Community impact statement

60. 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.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

61. The Capital Programme 2011-2021 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.

62. By agreeing the recommendations in the report the cabinet will demonstrate that it has made adequate arrangement for the proper administration of the council financial affairs

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Capital monitoring working papers	160 Tooley Street, London SE1 2QH	Le Cheung 020 7525 4300

APPENDICES

No.	Title
Appendix A	General fund summary
Appendix B	Housing investment programme summary
Appendix C	Funded variations
Appendix D	General fund programme details

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance, Resources and Community Safety	
Lead Officer	Duncan Whitfield, Finance Director	
Report Author	Jennifer Seeley, Deputy Finance Director	
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Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	N/A	N/A
Cabinet Member	Yes	Yes
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