

Item No. 14.	Classification: Open	Date: 25 September 2012	Meeting Name: Cabinet
Report title:		Quarter 1 Capital Reporting for 2012/13 and Capital Programme Refresh for 2012/13 – 2021/22	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

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

This report includes our usual quarterly monitoring of the council's capital expenditure, for the first quarter of the current financial year. It includes virements that have arisen since the programme was last considered for cabinet's approval.

In addition, this report refreshes the ten-year capital programme agreed by Council Assembly last year. Proposals in this report include:

- addressing the pressure on primary school places in the borough
- additional money for the improvement of Peckham Rye One O' Clock Club, adding to the money agreed by the local community council
- Capital to buy back residential properties sold to Anchor Care in late 1990s, to both improve them and save the council revenue costs
- Work to improve accommodation for people with learning difficulties
- A new resource centre for older people
- A new borehole at Burgess Park, to ensure a more ecological approach to providing the water for the park's upkeep
- Investment at Geraldine Mary Harmsworth Park, in our cemeteries and at South Dock Marina
- Remedial work on the Walworth Road to put right drainage problems
- Capital investment to save revenue from the council's new parking contract
- RFID technology to save on running costs at Dulwich, Newington and Camberwell libraries
- Investment to fit out the proposed new Grove Vale library
- Further refurbishment of the Thomas Carlton Centre and Peckham Pulse
- New CCTV cameras and infrastructure on our housing estates
- Additional resources to improve local shop-fronts
- Additional funding for housing's adaptations budget.

This refresh does not preclude other projects being added later in the year, and the report identifies some important areas where work is on-going to identify further capital needs.

The next refresh of the programme is likely to take place in a year's time.

RECOMMENDATIONS

That cabinet:

1. Note the general fund capital programme 2012/13–2021/22 as at Quarter 1 2012/13, as detailed in Appendix A.
2. Note the housing investment programme 2012/13–2016/17 at Quarter 1 2012/13 as detailed in Appendix B.
3. Agree the virements and funded variations for Quarter 1 2012/13 as detailed in Appendix C.
4. Agree the new capital bids shown at Appendix D.
5. Note the refreshed capital programme including the new bids as shown at Appendix E.
6. Note the presence of a government consultation on the localisation of business rates which could have an impact on the continued application of the New Homes Bonus grant for capital purposes in the future.
7. Agree that the Strategic Director of Finance and Corporate Services present an updated programme refresh in early 2014, including exploration of a thirty-year capital programme forecast.
8. Agrees that in light of the pressure in primary school places expected from 2013/14 and the additional pressure this places on council resources, officers should continue to work with the Department for Education and Skills (DfES) to maximise funding from DfES sources.

BACKGROUND INFORMATION

9. On 21 June 2011 the cabinet approved the refresh of the 10 year capital programme for the period 2011/12 to 2020/21. It approved a total programme for ten years of £351m for the general fund programme. A total programme for seven years of £451.8m was also agreed for the Housing Investment Programme to 2015/16.

KEY ISSUES FOR CONSIDERATION

General fund capital spend

10. The 2011/12 outturn report indicated that expenditure of £84.2m was incurred against the general fund capital programme and £53.5m against the Housing Investment Programme.
11. The 2011/12 outturn position delivered a number of high priority projects including the Southwark Resource Centre on the Aylesbury estate; continuation of the three primaries and Southwark Schools for the Future Programme and completion of the Canada Water library. This performance therefore still represents a significant investment in Southwark's capital assets.

12. The most recent outturn position presents the opportunity for a comprehensive refresh of the programme allowing for the progression of programme delivery over the prior year, and into the first two quarters of 2012/13. The major influences impacting on the refreshed programme include:
- Adjustments to the levels of government capital funding levels which impact on the programme, such as New Homes Bonus allocations.
 - Changes in the disposals programme including projected receipts from major project agreements such as Potters Field and Elephant and Castle.
 - New bids submitted by Strategic Directors in light of new projects or changes to existing ones.
 - New programmes and priorities as agreed by cabinet.
 - Revisions to the current programme in light of project progression.

Housing Investment Programme spend

13. Although reporting quarterly and annually at the same time as the General Fund the Housing Investment Programme is subject to separate approval from the rest of the capital programme. The current planned programme was presented to cabinet in October 2011. It showed the principle aims of delivering warm, dry and safe homes across the borough and investing in the regeneration of estates, as well as the required landlord obligations.

Capital resources

14. Seven major sources of funding support the General Fund programme:
- capital receipts from disposal of property
 - grants
 - external contributions
 - section 106 funding
 - contributions from revenue
 - contributions from reserves
 - Borrowing, which the council at the present time chooses not to use
15. The capital programme is influenced by limitations arising from resource timing and availability. Over the life of the programme all commitments must be met from anticipated resources. Regular monitoring and formal reporting regulates the programme and mitigates cash flow and funding risks.
16. In the event that in-year funding is insufficient to meet the level of expenditure alternative short term sources of funding may need to be accessed or projects deferred or re-profiled. Short term sources of funding include use of earmarked reserves and/or accelerating the disposals programme.
17. Each department forecasts its programme as accurately as possible to minimise the need for re-profiling. Where this does occur the requirement is flagged as early as possible. Given the general complexity of capital projects it is common to see some variation in the profile of the actual programme against the forecast. The impact of this is mitigated through regular formal monitoring, departmental reviews and access to a resource base wide enough to cope with change.

18. The Southwark capital programme is funded to a large extent using receipts from property disposals. Since 2009, the capital programme has attempted to forecast the receipts generated from future disposals for both the general fund and housing capital programmes over ten years. This allows for effective forward planning of the programme, as the lead-in time for large projects tends to be well in advance of the receipt of funds from the disposals required to finance their delivery.
19. The disposals programme is influenced by a range of issues including legal and planning complexities, external market position, demand for sites and property type/condition. The Head of Property Services has reviewed and updated the capital receipt projections used in the refreshed programme to support an accurate forecast.
20. The 10-year forecast for receipts is around £190m for the General Fund programme. The 5-year forecast for receipts from disposals for funding the Housing Investment Programme is around £140m.
21. Receipts generated through the disposal of council property represent one source, albeit significant, which the council may use to fund capital expenditure. The council aims to spread programme funding risk through use of a number of funding sources including external sources of funding, rather than placing reliance on any one source either in year, or over the programme.

Section 106 and Community Infrastructure Levy (CIL)

22. The council can enter into a Section 106 agreement, otherwise known as a planning obligation, with a developer where it is necessary to provide contributions to offset the deemed negative impacts caused by construction and development. Contribution requirements can take several forms and range from provision of affordable homes and new open space to funding of school places or community facilities. Depending on the agreement, developers may deliver works directly or choose to make payments to the council to undertake work.
23. Use of S106 funding has been forecast in the programme, which is provided through existing balances and new funds anticipated from future agreements. Some changes to the use of S106 planning obligations are anticipated resulting from the adoption of the Community Infrastructure Levy (CIL) regime and the council is proposing to update its S106 planning obligations statutory planning document to the same timescale as development and adoption of the CIL.
24. The CIL is a levy which local authorities may choose to charge on new developments occurring in their area, with the funds raised being used to deliver infrastructure required by the council, local community and neighbourhoods. Use of the levy as a potential funding source for capital schemes was outlined in a report considered by cabinet on 17 July 2012. A preliminary draft charging schedule was developed for this report and the council will be undertaking consultation on this as the year progresses. The capital programme will be subject to future refresh after September 2012, and pending finalisation of the charging schedule for CIL this may be used to support appropriate schemes.

New Homes Bonus

25. The New Homes Bonus (NHB) is intended to reward local authorities and communities where growth in housing stock occurs. The allocation formula matches the level of council tax paid on each new home for six years, with an additional £350 per affordable unit. The grant is not ring-fenced so no restrictions apply to its use.
26. Payments for NHB amounted to £2.5m in 2011/12, of which £1.5m was allocated to fund revenue expenditure, with the balance earmarked to fund capital expenditure. This was in accordance with a Cabinet decision of 21 June 2011 that all NHB resources not committed to the revenue budget should be allocated to corporate resources to fund future capital expenditure. The same level of revenue commitment was at that time assumed in forecasts for future years to 2016/17 and the balance allocated to capital. This resulted in totals of £9.0m, £41.7m and £3.6m being forecast to fund revenue, capital general fund and capital housing expenditure respectively.
27. The government has been consulting on the localisation of business rates which proposes major changes into the way that local government is funded from 2013/14 onwards. These proposals could potentially create pressure on the level of NHB funding available for the capital programme from 2013/14, changing the amounts available from those forecast above. The position will be monitored very closely by officers and revision may be made to the forecast allocations included in the capital programme as changing circumstances require.

Contributions from earmarked reserves

28. Reserves are funds set aside from under spends or planned budget contributions, to meet contractual commitments or future expenditure plans which may include risks or liabilities that arising at a later date. Three reserves which have relevance for funding the capital programme have been outlined described below.
29. The modernisation reserve supports one-off expenditure or multi-year projects designed to modernise and further improve the operational efficiency of Southwark's service provision. The use of the reserve is subject to a protocol listing admissible items in accordance with the Council's Medium Term Resources Strategy.
30. The regeneration and development reserve funds one-off expenditure and multi-year projects delivering regeneration and development across the borough. Relevant projects include the Aylesbury Estate Regeneration, Canada Water, and Elephant & Castle Regeneration.
31. In 2011/12 the council established a compliance and planned preventative maintenance reserve which may be used to support activities upgrading the wider council estate in line with legislative and/or preventative maintenance requirements. The reserve could for example be used to support the implementation of a maintenance programme in specific parts of the council's operational estate. Use of the reserve would need to be requested through appropriate approval channels, such as via cabinet, and it is likely that works

would be programmed over more than one year, or relate to more than one site.

Capital receipts

32. The council operates a ten-year disposals programme. Planned disposals generate capital receipts which the council can use as a funding source to finance capital expenditure.
33. Capital receipts must be categorised as Housing or General Fund depending on the nature of the asset giving rise to the receipt. Certain receipts arising from right to buy sales are also generated within the Housing disposals programme and subject to pooling arrangements with government, so that the council can repay housing debt.
34. The annual receipts forecast to 2021/22 is between £30 - £40m p/a generated by disposals from both funds. The new capital bids in the refreshed programme present an anticipated additional call of around £45m on capital receipts, to be funded over the life of the programme.

Capital grants

35. The council uses a range of capital grants to fund capital expenditure. These grants tend to be programme or project specific since each has grant requirements of some form and the largest areas of grant use often correspond to the largest and most complex projects. The Southwark Schools for the Future (SSF) programme has the highest grant use on a single scheme with around £82m of grant funding over the remainder of the capital programme.
36. Grants may be provided as a sole funding source, or as one of several funding sources depending on project requirements. In each case grant funding conditions of some form should be met to demonstrate that grants have been applied for the purposes given and audit trails are maintained.

Resourcing to Quarter 1 2012/13

37. A number of balances were brought forward from the outturn of 2011/12 and can be applied in 2012/13 in addition to resources received in year.
38. In terms of property receipts, balances of £25.2m and £1.9m were brought forward on the Housing Revenue Account and General Fund respectively. Of the HRA balance £9.3m related to receipts arising from right to buy sales.
39. As at the end of Quarter 1 2012/13 £10.5m had been received from HRA receipts, with £0 received from General Fund receipts. However General Fund receipts of around £15m are anticipated by the end of the financial year.
40. A grants balance of £63.8m was brought forward from 2011/12. This included balances of £4.7m relating to Housing Grants, £15.2m relating to education use grants and £36.4m relating to receipts generated through the planning gain (S106) mechanism. At the end of Quarter 1 2012/13 £17m grant had been received including £12.9m of education use grants and £4.4m of planning gain.

41. The above resources will be monitored and applied as appropriate to schemes in 2012/13.

Programme position at Quarter 1 2012/13

42. Attached at Appendix A is a summary of the general fund programme position as at Quarter 1 of 2012/13. This shows a total expenditure budget of £327m budgeted over the programme. The budgeted general fund programme is shown in greater detail at Appendix F.
43. Attached at Appendix B is a summary of the housing investment programme position as at Quarter 1 of 2012/13. This shows a total expenditure budget of £397m over the programme.
44. Appendix C shows the budget virements and variations which have been undertaken in the first quarter of 2012/13.
45. This programme position will be monitored and reviewed over the remainder of the financial year, with regular updates to cabinet. The bids refreshing the current programme have been set out in Appendix D with detail the following paragraphs. The updated programme position shown at Appendix E.

Departmental updates and bids

Children's services

46. Children's Services draws together education and specialist children's services. The departmental budget approved in the report to cabinet on 17th July 2012 was £63.4m.
47. The bulk of children's services capital spend reflects programmed investment in schools; a small programme of youth services programmes at around £584k provide enhanced youth facilities across the borough with £1.5m for Children's Centres capital life cycle works. The schools' investment programme consists of expansion projects to increase the capacity of schools to accommodate rising pupil numbers and maintenance work obligations. The main programmes are the primary capital programme totalling £24.3m over the remainder of the programme, the 3 primaries programme (Eveline Lowe, Michael Faraday and Southwark Park schools) totalling £9.6m and the balance reflecting expenditure on smaller projects such as school maintenance and carbon reduction works.
48. Grant from central government provides the mainstay of the funding support for the schools' investment programmes, supplemented by other funding sources such as corporate resources, contributions from schools delegated capital, Dedicated Schools Grant and application of S106 funds. The 3 primaries programme is being funded almost entirely by corporate resources.
49. Progress during 2012/13 has included a further round of £83k capital challenge match funding agreed and over the summer minor works and improvements are being made at seven schools. Further works and demountable classrooms will also be carried out and installed over the summer to provide an additional primary 300 places as part of the temporary expansion programme. Works are

underway at St Anthony's to provide a half form of entry by summer 2013. The completion of the expansion of Haymerle is due for completion by the end of the autumn term. Outline designs and costings for Gloucester and Cherry Garden are due to be submitted for council review in December 2012. Detailed designs are progressing for Southwark Park Primary School and final submissions are expected in autumn 2012.

50. The bids for this refresh generated by new and emerging issues developing over the last year have been set out in the following paragraphs and present a total of £16.4m additional expenditure in the programme to 2021/22.
51. It is estimated that by 2015/16 an additional 10 to 14 permanent school form entry expansions will be required due to growth in pupil numbers. This requirement is likely to generate a pressure of around £15m in the programme. A survey of all maintained schools is currently being undertaken to review their capacity to expand and to assess necessary maintenance needs. This bid is subject to the ongoing continuation of government capital grants and the outcome of the surveys. It is a statutory obligation to provide school places and continue to prioritise school building maintenance to ensure pupils are warm, dry and safe. Funding is anticipated from S106 sources in addition to corporate resources.
52. The redevelopment of the Peckham Rye One O ' clock playroom is a council commitment to replace the current building and to enlarge and redesign the enclosed outdoor play space. A budget of £770k total will be required for the current scope of the project. A £270k capital budget will be transferred from Environment and Leisure with the £500k remainder the subject of this bid sought from corporate resources.
53. Carbon reduction funding of £500k is sought from corporate resources to address the mandatory carbon reduction requirement set by Government. This programme reduces carbon emissions in schools through identifying cost effective small value works and is match funded by participating schools.
54. The troubled families' initiative requires services to work in a seamless and co-ordinated way across department and sector boundaries, challenging and supporting families to raise children successfully. A bid of £400k total is required to make necessary adaptations to schools and children's centres so that the service can work locally, alongside families who would most benefit. Grant funding is anticipated to be available in support of revenue expenditure related to these works.
55. Following detailed design proposals and stakeholder discussions the budget allocation for Gloucester and Cherry Garden Schools is to be increased by £1.1m from the outline £12.5m earmarked in the 2011/12 capital refresh to £13.6m, using budget which is currently unallocated and a budget movement will be included in the Q2 report to cabinet.
56. Following year end adjustment in 2011/12 the departmental budget before inclusion of the new bids stands at £54.1m as shown in Appendix A. The refreshed departmental budget stands at £70.5m with the £16.4m of new bids included.

Southwark Schools for the Future

57. In May 2007 the then executive approved the Southwark Schools for the Future outline business case (OBC). This OBC outlined a programme of investment in Southwark's secondary school estate enabled by funding from partnerships for schools (PfS) of £179m. Southwark then entered into a Strategic Partnering Agreement with 4 Futures and a Local Education Partnership was established to deliver the building schools for the future (BSF) programme. This partnership has since been rebranded as 4Futures.
58. Phase 1 includes Tuke Special School and St Michael's Catholic College. Phase 2 includes St Thomas the Apostle College, Sacred Heart and New School Aylesbury and Spa.
59. The majority of the programme is funded by grant funding from central government with an additional £11.4m of corporate resources remaining committed to the programme over the remainder of the programme the use of which is agreed through further reports to Cabinet. The programme also includes three schools being developed under a 'design, build and operate' scheme which will be funded by future PFI credits and school contributions.
60. Progress during 2012/13 has seen New School Aylesbury completing in the summer ready for Sacred Heart to move in for 2 years whilst Sacred Heart PFI school is completely rebuilt. Phase 1 of St Thomas the Apostle College completed in April 2012 and phase 2 is due to complete in October 2012. Detailed designs are progressing for the combined SILS 3 & 4 and final submissions are expected in autumn 2012.
61. No new bids have been submitted in this refresh. The programme is subject to ongoing scrutiny as appropriate for a scheme of such size and complexity. The re-profiled capital budget stands at £81.6m to 2021/22.

Health and community services

62. The main focus of the Health and community services capital programme is investment in the infrastructure necessary to support the delivery of services to improve the health and well being of local people. The departmental budget approved in the report to cabinet on 17th July 2012 was £5.6m. A summary of the activity in 2012/13 thus far is given in the following paragraphs.
63. Southwark Resource Centre has an agreed remaining budget of £358k for 2012/13 which is available to cover 5% contract retention fee, some post completion works and equipment costs. The project is currently forecast to under spend overall by around £900k, which can be returned for use on other projects.
64. The agreed budget for Department of Health Capital Grant (adult personal social services capital allocation) is £1.6m. This includes a carried forward balance of £780k from the prior year 2011/12. The grant is earmarked for various day services projects including major refurbishment works. The scheme is currently forecast to spend on budget.

65. There is £19k of single capital pot mental health grant rolled forward from 2011/12 to 2012/13. It is anticipated this will be fully utilized in 2012/13.
66. All other projects in the current programme have successfully been completed.
67. The bids for this refresh generated by new and emerging issues developing over the last year have been set out in the following paragraphs.
68. The council is currently mid-way through a 25 year block contract with Anchor Care providing residential care for older people. The contract delivers 224 beds in four care homes. Renegotiating the terms of the contract would reduce the cost of care in revenue terms. A one-off payment currently estimated around £7m would remove the capital element of the weekly fee and save around £900k revenue expenditure per year. Officers are currently working to verify the respective costs and benefits of a renegotiation. In the event that the renegotiation produces an additional funding requirement to remove the capital element of the service price, a further updated bid will need to be submitted, however at the present time the sum of £7m is the best indication which officers have from the supplier.
69. The council is seeking to improve the range and quality of accommodation for people with learning disabilities. Funding is required to finance the refurbishment of seven learning disability care homes owned by the council, with costs estimated at around £1.2m. The homes were outsourced to an external contractor in 2004, with the council retaining residual repair and maintenance responsibilities; however they have not been part of the council's cyclical maintenance programme for some years and are now in need of refurbishment. Work would include replacement of kitchens, bathrooms, flooring and redecoration. This capital investment would be likely to lead to a reduction in reactive repairs and maintenance costs.
70. The council is currently undertaking community and service user consultation on the development of a new resource centre for older people which would in particular offer dementia care and provide enhanced facilities in light of increasing demand levels. The centre is anticipated to cost around £2m and a potential site has been identified toward the north of the borough which will be the subject of further analysis to verify suitability as the project moves forward.
71. Allowing for budget adjustment and the above virement following the 2011/12 year end outturn position, the re-profiled budget stands at £1.9m to 2021/22 as shown in Appendix A and before inclusion of new bids. Addition of the £10.2m new bids outlined in the paragraphs above brings the new refreshed total departmental budget up to £12.1m over the programme to 2021/22.

Environment and leisure

72. The Environment capital programme manages investment in the service areas of culture, libraries, learning and leisure, public realm, community safety and waste management. The programme includes investment in non-principal roads of around £40m and £5m in street lighting. Other areas of public realm receiving investment include parks and libraries and investment of £11.4m in the borough's leisure centres including major refurbishment works at Dulwich,

Camberwell and Surrey Docks.

73. The programme also includes an annual investment for community council's to allocate funds to projects with the aim of making the borough cleaner, greener and safer. The new waste facility at the Old Kent Road is now complete and fully operational. In respect of the Southwark Heat Network from South East London Combined Heat and Power facility (SELCHP), a viable route and a technical solution for the pipe work for the heat network has been identified. This initiative will use low carbon energy supplied from the SELCHP plant in Lewisham, with secure supply and stabilised energy prices for a significant number of our council tenants and leaseholders. The Heads of Terms were agreed in June 2012 and the contract is due to start in September 2012.
74. The majority of the programme is funded from corporate resources with a small amount of section 106 funds being used.
75. The departmental budget shown in Appendix A is £90.6m, which includes around £5m of bids agreed in an earlier report to cabinet. A virement of £270k to Children's Services for the Peckham One o'clock club anticipated for quarter 2 will bring this total to £90.3m. Two minor funded variations totalling £8k have been set out in Appendix C, requested for approval.
76. The Departmental Capital Review Board meets quarterly to scrutinise expenditure on projects. The department's latest approved capital budget from 2012/13 against the projected spends of £91.3m gives an overall variance of £1m (1.1%). This variance arises from cost pressures on the Burgess Park and Walworth Road projects. This pressure is partially offset by unused resource on the Integrated Waste Solutions Project.
77. The cost pressure of £1.1m emerging on the Burgess Park project, results from accelerated use of budget dealing with ground contamination in the park from discovery of buried diesel tanks within the park and addressing utility service diversions. It is proposed that the pressure is reduced by viring £400k available resources from the Integrated Waste Solutions project, with the balance sought from available resources elsewhere in the programme.
78. Additional costs were incurred on urgent works that had to be completed on the Burgess Park project so that areas of the park that fell outside of the original project scope were addressed prior to the official opening in summer 2012. To fund these costs a virement of £200k is included from available resource on the Integrated Waste Solutions project.
79. The bids for this refresh generated by new and emerging issues developing over the last year have been set out in the following paragraphs.

Environment and leisure: Public realm

80. The first phase of the Burgess Park revitalisation project is complete with £8million invested. Further investment will be needed to complete the regeneration in full, including the provision of sustainable water supply for the lake provided via a borehole, the provision of which has been budgeted at £200k funded from revenue contribution, subject to Environment Agency approval to

undertake the work. Additional improvements include park entrances, restoration of the heritage bridge features such as the canal bridge and partial restoration of a canal feature; installation of further games and garden areas; improvements to the Wells Way public realm and further tree planting. Initial estimates put the costs of these works at £12m.

81. Additional funding of £120k in 2012/13 for refurbishment of the park accommodation at Geraldine Mary Harmsworth Park (GMH) is requested to meet the cost of bringing the staff building back into use. The building is Grade II listed and a condition survey has been undertaken which has highlighted health and safety concerns arising from the ageing condition of the fabric. The building is essential in delivering a council commitment to the friends group and councillors, whereby a staff presence is maintained on site. The bid is made for funding from corporate resources.
82. Investment is required to upgrade the condition of South Dock Marina including replacement of pontoons, decking, electrics and possibly the lock gates and sluices. The total cost is estimated at around £2.7m and a bid has been prepared for this funding starting in 2013/14 and anticipated to extend to 2014/15. Funding options may include third party investments. Whilst costs on asset condition survey may be incurred up-front, any further activity would be the subject of detailed scoping, evaluation and risk analysis prior to commencement. The most recent asset condition survey on this scheme is due in September 2012, so this bid has been noted in this report but a revised one will be required, for a future capital refresh as the implications of the survey in cost terms become fully understood.
83. New shower and lavatory facilities at South Dock Marina are also required to replace existing equipment in the berth holder facility which is no longer fit for purpose. A bid of £100k funded from capital receipts have been made for this purpose with spend anticipated in 2012/13.
84. Additional funding of £300k in 2012/13 is required to address a number of carriageway drainage issues on Walworth Road which have arisen due to the consistent high daily volume of vehicular traffic. Because of the urgent nature of the works and the need for completion prior to the Olympics embargo, works had already commenced part-funded by project contingencies. This funding is required to complete the works without impacting on other road resurfacing budgets.
85. A bid of £1.1m for the new parking contract has been prepared funded from corporate resources, with costs anticipated to fall in 2013/14. This is to fund both large items of infrastructure and vehicles and smaller equipment including hand held computers and digital cctv cameras. The bid is an optional aspect of the council's parking enforcement contract which is currently out to tender. The final amount will only be available once bidders have submitted proposals and the evaluations to identify the preferred supplier have been completed. It may well be necessary to include an updated bid in the next programme refresh, or in the event that the capital costs prove to be less in the preferred proposal to reduce the assumption in the programme.
86. In line with the cemeteries strategy approved by the cabinet, the Cemetery

Service is implementing an action plan in the borough's cemeteries and crematoria which will aim to improve customer service whilst improving the condition of cemetery assets. In keeping with this it is proposed that £380k is invested refurbishing the vacant cemetery lodges at the entrance to Camberwell New Cemetery which could allow the cemetery office to be located in the larger of the two lodges, attracting an operator for a cafe/florist in the smaller lodge.

87. More detailed viability plans for this proposal will be developed in due course. It is anticipated that the initial investment of £380k could be recouped in around 8 years through the installation of a rent-generating columbarium in the vacated chapel office space and through a small amount of rental income generated by the cafe/florist at the lodge.
88. Officers are developing a scope of works for additional tree planting programmes around the borough, which have indicatively been estimated at around £2.3m to the end of the current programme. This work may form a new bid in the next programme refresh as fuller details and a specification of requirements become available for consideration.

Environment and leisure: Transport, environment and recycling

89. A bid of £4.5m has been included in 2021/22 to allow for an extra year of investment in the non-principal roads network and lamp column replacement projects. Addition of this bid means that an equivalent level of provision has been made for these projects in every year of the programme to 2021/22.
90. Additional investment requirements for highways and lighting are currently being assessed, and are estimated at around £18m and £5m respectively in total to the end of the current programme. Bids for this additional resourcing may be submitted in a future refresh once more fully scoped.

Environment and leisure: Culture, libraries, learning and leisure

91. Implementation of RFID equipment (Radio Frequency Identification) is proposed at Dulwich, Newington and the new Camberwell library in between 2012/13 and 2014/15 at a total cost of £373k. The bids for Newington and Camberwell, at £124k and £101k respectively are sought from corporate resources, and the Dulwich bid at £148k from reserves set aside from the 2011/12 departmental under-spend. Investment in self service technology is a key component of the libraries modernisation programme and installation of such equipment is key in supporting the savings agreed in the libraries review. The equipment has already been successfully installed at other locations in the borough, for example at the John Harvard library.
92. The required contribution to the fit-out and relocation programme for the new Grove Vale Library has been assessed at £360k in 2014/15, which includes provision of RFID equipment. The bid is made for funding from capital receipts.
93. A new installation of public art at Canada Water is proposed from 2012/13 which will be fully funded from approved S106 funds to the value of £72k.
94. There are health & safety issues associated with the building fabric at the

Thomas Carlton Centre and work will need to commence in 2012/13 to resolve high priority issues with the roof and windows. A bid has been prepared for £560k priority 1 and 2 works funded from corporate resources based on an itemised building survey undertaken recently.

95. It has been recognised that the sports complex in Southwark Park needs refurbishment. £370k was set aside for this in the Olympic Legacy Fund and funds are being sought from various sources, including a £250k grant from the Mayor's Fund and £150k each from the London Marathon Trust and Sport England Facilities Fund respectively. It is anticipated that additional capital will be required, and a bid will be submitted in the next refresh.
96. At the Peckham Pulse site a number of structural fabric issues have arisen due to the age of the asset. Two options are being put forward for consideration. To deliver a minimum level of work a sum of £1.1m is required with preliminary work starting late in 2012/13 for a refresh including the lighting, spa, pool hall and for refurbishment works on the pool dosing system and fan coil units. The second option is for a more extensive refurbishment aimed at meeting the growing demand for the spa area as well as greater utilisation of unused areas of the centre to increase income generating potential. This will require a further investment of £1.2m following on from the first option. Thus the total bid amount for this option is £2.3m.
97. A new bid totalling £415k starting in 2013/14 has been submitted to assist in meeting the cost of lifecycle capital works at leisure centre sites. These works will maintain the quality of the provision at the leisure centres at levels attained after refurbishment.

Environment and leisure: Community safety

98. The total cost of the housing CCTV project has been assessed at around £1.4m, with around £1.2m funding sourced from departmental under spends and reserves and around £200k from corporate resources. The work in this area will replace obsolete fixed units on existing estates with CCTV, implement CCTV systems on the Four Squares estates; and a re-deployable system on the Aylesbury Estate and other areas of high recorded crime. It also includes the procurement of 30 re-deployable cameras for remaining estates. Lastly, the project includes the cost of providing a borough wide transmission network. A bid for this project has been prepared.
99. Addition of the £12.2m new bids outlined in the paragraphs above to the current programme budget brings the refreshed departmental budget to £102.8m over the programme to 2021/22.

Finance and corporate services

100. The capital programme of this department focuses on two key areas: information technology infrastructure projects and premises improvements to Council buildings
101. The overall departmental programme budget before inclusion of new bids is £7.9m as shown in Appendix A.

102. The council will be engaging a new Information Technology Managed Service supplier early in 2013 which will be delivering a series of core enabling projects to modernise provision of IT services in the council. A bid of £5m has been included in the refresh, with spend anticipated to start in 2013/14 and funded by corporate resources.
103. The procurement of a new Facilities Management (FM) services supplier is anticipated to conclude in the Autumn of 2012, which will see a four-year contract being awarded.
104. To address future FM capital requirements a bid of £10.25m has been included in the refreshed programme. This reflects the anticipated cost of undertaking a comprehensive PPM and compliance programme on council property fabric from 2013/14. The work follows an earlier phase where the council undertook DDA work to its front-line premises. It is anticipated that this work will be funded through a combination of corporate resources and reserves.
105. The addition of the new bids increases the refreshed departmental programme budget to £23.1m over the period to 2021/22.

Chief executive's department

106. Following the appointment of the chief executive earlier this year, and overall reorganisation of the council's management structure, the services undertaken by the former deputy chief executive's department, along with regeneration, property and planning have been merged to form a single department. Delivery of key strategic regeneration projects fall within the department's remit.
107. The departmental programme budget before inclusion of new bids is £63.5m, divided between the three major programme areas for the department with £6m allocated to Economic Development and Strategic Partnerships; £12.1m to Property Services; £8.6m to Planning and Transport and £36.8m to Other schemes (such as the leisure centre at Elephant and Castle).
108. Performance thus far 2012/13 has been steady with work continuing on delivery of the office accommodation strategy and its development of a significant council presence at Queens Road Peckham; the revitalisation of the town centre at Camberwell anticipating a range of funding sources; and the delivery of key community items at the Elephant and Castle Leisure Centre and Peckham Rye Station. New bids requested for the current refresh have been shown below.
109. A bid for £5.4m extra funding for the office accommodation strategy from 2012/13 has been submitted with a cost breakdown in the following areas.
110. A further £231k is required for Queen's Road block F to allow for enhanced future customer requirements including additional works to a customer lift and improved meeting room facilities. The original capital allocation from November 2010 included a sum of £4.9m for commissioning costs at this block.
111. At Queen's Road block J a sum of £1.3m has been included as a purchase cost for this block. The original office accommodation programme business case

proposed a lease of this block; however a revised commercial assessment agreed by cabinet in March 2012 concluded that an outright purchase would present better value for money over the longer term. In addition to this cost a further sum of £480k has also been included in the bid to meet additional commissioning costs including capitalised fees and accessibility works. A contingency has also been allowed informed by experiences at block F.

112. A decision was made at the July 2012 cabinet to approve the lease of the property at Lugard Road, Block C, to provide accommodation for the council's call handling facility after the end of the customer service contract agreed by cabinet in May 2012. The inclusion of £2.1m for this item in the programme, together with other blocks in the development completes the campus at Queen's Road and provides a major council presence in Peckham.
113. An additional allowance of £863k has been included to meet the cost of increased Information Systems commissioning costs arising from the expanded accommodation programme. This addition arises from anticipated contractual changes to the council's IS provision which will in the context of the expanded office accommodation strategy result in additional capital expenditure on IT assets.
114. Earlier in 2012 the requirement for fit out of a replacement service point for the current Bermondsey One Stop Shop was confirmed. Therefore an allowance of £370k has been made for the fit out costs of this service at 11 Market Place.
115. A bid of £350k has been submitted to support work on the improvements to local retail environments scheme. Additional expenditure has been required to meet the cost of electrical and structural work on some council owned properties, undertaking a greater number of asbestos surveys than originally envisaged and additional preliminary costs incurred as a result of the Olympics works embargo.
116. A bid of £1.7m is being prepared to support work upgrading the quality of the shopping experience in the Peckham High Street and Rye Lane areas of the borough. It is intended that the bid will be funded in full by Heritage Lottery grant, which will be sought in summer of 2013 when the funding round is open. The bid is noted here and an update on the outcome of the grant application will need to be included in the next capital refresh.
117. In July 2011, the 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 in the environments. An initial sum of £10m was added to the capital programme for this project, starting in 2015/16. In December 2011, a funding bid was submitted to Greater London Authority (GLA), and the authority is in the process of finalising the funding agreement for a grant of £5.25m. The award of this grant will not only free up £5.25m of capital receipt which can be used to meet other priorities but also enables the Council to deliver this project three years ahead of schedule.
118. As set out in Appendix C a number of funded variations have arisen in the first quarter of 2012/13 and are requested for approval. These are £360k on the Nunhead Outer London Funding Programme, an £89k S106 variation for the

Camberwell Town Centre scheme, £50k for the Cathedral Square Improvements project and £69k on a range of smaller projects.

119. Addition of the £5.7m arising from the new bids detailed in the paragraphs above increases the refreshed programme budget to £69.2m.

Housing general fund

120. The housing general fund capital programme represents investment in housing in the borough which is not directly focused on council properties and includes travellers' sites and affordable housing fund contributions. This includes housing renewal which allows assistance to a wider section of the community, subject to financial status, than existing council aid provision solely for the over 65s and individuals with medical needs.
121. Other main elements of the programme include: the East Peckham and Nunhead renewal area programme; the group repair scheme which replaces energy inefficient components, provides insulation and is working to retrofit for the future "green" energy products, contributing to CO2 emission targets; the affordable housing fund funded through S106 contributions which supports new build social housing by registered providers; and work to a number of travellers' sites within the borough.
122. The housing renewal programme is mainly funded from corporate resources but also attracts government grant for disabled facilities and external funding from the GLA. Southwark was successful in getting one of 10 low carbon zones within the London area which has levered in additional funding from the GLA.
123. The programme budget agreed for the Outturn of 2011/12 was £14.8m, which when adjusted to allow for the roll forward of remaining resources at the end of 2011/12 stood at £11.3m at the start of 2012/13. The approval of a growth bid of £17.3m in this same report, providing additional funding of £16.3m for renewal grants including disabled facilities grants, raised this overall programme budget to £27.6m (£1m of the bid being already forecast in the programme at the end of 2011/12). The bid was funded in part by £4.655 external funding from the Department for Communities and Local Government and the balances sourced from corporate resources.
124. Expenditure in the first quarter was £0.5m, increasing to £0.7m at M4, against a revised outturn forecast of £5.2m. The majority of this expenditure is in respect of DFG grants, for which demand remains consistently high, and which formed a substantial part of the bid which is the main basis for the ongoing 10 year housing renewal programme.
125. The Burnhill Close travellers site scheme will be the subject of a gateway 3 variation to approve increased costs when these are finalised, and will require a further budget virement within the overall travellers sites programme provision. A further project is in the pipeline for the Affordable Housing Fund programme, for a housing association development on the Wadding Street / Stead Street site. A report is to be submitted to Planning Committee to approve the release of £2.6m S106 funds for the scheme, which will then be added to the housing general fund programme.

Housing Investment Programme

126. The Housing Investment Programme report to cabinet on 18 October 2011 confirmed detail of the housing investment programme (HIP), the resources available and how these would be used to provide warm, dry and safe homes across the borough. It also reported the approach to be taken for additional works on high investment needs estates, which has since been reported to cabinet in more detail. The format of the HIP summary has been revised to better reflect the programme in its agreed form.
127. The programme budget contained in the Outturn report for 2011/12 was £432.9m over the life of the 5-year programme. The addition of £15.2m reflecting the budgeted cost of demolishing the Heygate Estate produced a revised total budget of £448.1m over the remaining 4 years. When adjusted to allow for the roll forward of budgets at the end of 2011/12 and Quarter 1 variations, the revised budget stood at £397m for the remaining 4 years of the approved programme.
128. To this amount £250k should be added to reflect additional resources identified and used in 2011 for the adaptations programme. This external funding was received and used in 2011/12 and is shown in the outturn figures, the corresponding adjustment to the adaptations budget was still to be made at this point and this has been shown as a variation increasing the overall budget.
129. While there is in general no confirmed detail within the HIP beyond the current 5-year Warm Dry Safe (WDS) programme, it is anticipated that the programme will be extended on an indicative basis to 10 years in line with the corporate capital programme. This will incorporate additional expenditure as resources anticipated for the HIP including government backlog funding and commuted sums as they become confirmed. Pending consideration of this extension of the programme by the Housing Investment Board, only the previously approved budget is currently shown, re-profiled where appropriate.
130. Expenditure in the first quarter was £9.9m, increasing to £14.5m at M4 against a revised outturn forecast of £92.3m. The most significant proportion of this expenditure at £7.9m was within the WDS programme, which in respect of decent homes performance has delivered an increase in decency level of 257 properties for the quarter. Following difficulties with one of the partnering contracts, revised notices of proposals have now been issued, and together with agreed maximum prices now being obtained for further works packages this will accelerate the delivery of the WDS programme.
131. Forecast expenditure for the 4 year period totals £403.4m, with three areas of the programme exceeding the reported budget. The fire safety works programme will need to continue beyond the priority works in progress and currently shows an additional requirement of £4.5m. Works on the Aylesbury Estate anticipated at £1.3m as shown in Appendix C have been brought forward and show a higher level of spend in the reported period, although remaining within the longer term provision in the programme. An additional £1.5m is shown for fire damage reinstatement following receipt of this amount from insurers relating to the major fire at the Lakanal estate.

Overall summary of refreshed capital programme

132. With the addition of new bids the refreshed 10-year scheme is fully programmed and has been set out in Appendix E. Such a position depends upon generation of capital receipts in line with predictions and availability of the other funding sources.
133. Given the general scale and complexity of capital schemes there is likely to be some variation in the profile of spending year on year. The risks of always presenting a balanced programme are that it is not reflective of actual activity, and only permits existing activity to be completed prior to introduction of new projects. Should that activity then be delayed by unforeseen circumstances, resources which could otherwise be made available for use in that year may not be easily redirected.
134. Planning for a certain level of natural re-profiling in complex projects is a pragmatic way of managing risk around expenditure and resource allocation, two aspects which form the cornerstones of programme structure but which are both influenced by numerous variables.
135. The programme is monitored throughout the financial year by departmental finance staff with the support of the Capital Monitoring team, to ensure that it remains consistent with cabinet approvals. Quarterly position reports are submitted to cabinet for review and approval.
136. The authority does have the option of considering prudential borrowing to fund capital schemes, however this is not currently deemed to be a preferred form of funding while other sources are available with no external financing cost, and would in any case require approval from Council Assembly in advance.
137. The council constitution requires an update of the capital programme at least once every 4 years. It is proposed that this programme is updated again in early 2014 to permit a review of current projects, the bids approved in this refresh and to consider any new issues emerging at that time.

Extension of the capital programme to thirty years

138. Whilst preparing this refresh officers were asked to examine how the programme could be extended from a ten year reporting horizon to a thirty year one, and what the respective benefits and disadvantages of such an extension could be.
139. Making a twenty year extension is likely to generate certain risks and difficulties, particularly with regard to:
 - Achieving meaningful cost and value forecasts over such a long period.
 - Being able to assess reasonably programme and project behaviour over a timeframe which will witness several economic cycles and developments in service provision.
 - Accurately forecasting what service demand and asset consumption rates are likely to be.
140. This said, the benefits likely to accrue from an extended forecasting timescale

include:

- The ability to view more projects over their whole lives rather than imposing an arbitrary cut off at ten years, when many assets have much longer useful economic lives.
- Capacity to lay the foundation for long term strategic change across the borough.
- Allowing replacement or refresh of schemes to be built into the programme now.

141. Officers intend to form an initial view on how a thirty-year programme could be structured and will present a response in the next refresh.

Community impact statement

142. This report describes the current and forecast position of the capital programme for the next ten years. The projected expenditure reflects plans designed to have a beneficial impact on local people and communities, which will be considered at the time the services and programmes are agreed. It is important that resources are used efficiently and effectively to support the council's policies and objectives.

143. Each project within the capital programme will be considered with regard to its impact on age, disability, faith/religion, gender, race and ethnicity and sexual orientation.

144. The council's capital programme is designed to deliver projects of value to local people.

Resource implications

145. This report forms part of the council's budget framework. It outlines the current position on the capital programme and identifies potential new projects to be included in it.

146. The resources supporting programme delivery are identified on a project by project basis. Staffing resources are generally contained within the council's current establishments and where additional or specialist resources are needed these will be the subject of separate reports.

Legal implications

147. The legal implications of this report are identified in the comments of the director of legal services.

Financial implications

148. This report fully explores the financial implications of the capital programme refresh. The report presents a capital programme over 10 years where predicted resources are sufficient to meet anticipated spend.

Consultation

149. Consultation on the overall programme has not taken place. However, each of the individual projects are subject to such consultation as may be required or desirable when developed. Some projects may require more extensive consultation than others, for example projects with an impact on the public realm. Projects funded by grant or s106 may require consultation as a condition of funding.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

150. 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.
151. 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
None		

APPENDICES

No.	Title
Appendix A	General fund summary monitoring position
Appendix B	Housing revenue account capital programme summary
Appendix C	Budget virements and variations for approval
Appendix D	General fund new capital bids
Appendix E	General fund refreshed capital programme
Appendix F	General fund capital programme details

AUDIT TRAIL

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Lead Officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Report Author	Alex Vaughan, Project Accountant, Finance and Resources Department	
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Director of Legal Services	Yes	Yes
Strategic Director for Finance and Corporate Services.	N/a	N/a
Cabinet Member	Yes	Yes
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