Item No. 16.	Classification: Open	Date: 16 July 2013	Meeting Name: Cabinet
Report title:		Quarterly Capital Monitoring Outturn Report 2012/13	
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 sets out the final expenditure performance of the council on its capital programme for the current year and asks the Cabinet to agree the funded variations set out in Appendix C.

I would like to thank the Housing and Community Services department for their fruitful efforts to improve the performance of the Housing Investment Programme since the monitoring report for the third quarter, which identified a likely expenditure of £81.6m for the year (a variance of £10.9m). The spend recovered to £85.6m (a variance of £7m) as a consequence of proactive reprogramming of work where slippages have occurred. This shows some good practice that needs to be shared with other departments.

On the general fund side, performance showed an increased level of variance from that suggested at the third quarter. The projected spend at that point was £277.4m whilst the actual outturn was only £259m, compared to the budgeted level of £322m. Whilst some of this variance is as a result of some projects coming in under budget, demonstrating that the council is working hard to deliver value for money, some is due to programme slippage.

I will be working with officers over the next few months to ensure that there is some tightening of project controls so that such slippage in the future is addressed through reprioritisation to ensure an optimal use of the capital budgets.

RECOMMENDATIONS

That cabinet:

1. Notes the outturn position for 2012/13 for the general fund capital programme including the overall position of the programme for the period 2012/13 to 2021/22 as detailed in Appendix A and D.

2. Notes the outturn position for 2012/13 for the housing investment programme, including the overall position of the programme for the period 2012/13 to 2015/16, as detailed in Appendix B

3. Approves the virements and funded variations to the general fund and housing investment capital programme as detailed in Appendix C.

4. Approves the re-profiling of the expenditure and resources in the new financial year 2013/14 in light of the 2012/13 outturn position for both the general fund and housing investment programmes as detailed in Appendix A, B and D and note further re-profiling will be required during 2013/14 based on more up to date information available at that time.

BACKGROUND INFORMATION

5. On 17 July 2012, the 2011/12 capital outturn report was presented to the cabinet. This reported the capital outturn position at the end of 2011/12 and approved the continued expenditure and resources, including new bids up the period 2020/21. At that time, the total value of the general fund programme stood at £383.8m including the Southwark Schools for the Future programme and the housing investment programme stood at £432.9m.

6. On 25 September 2012, cabinet noted the refreshed general fund capital programme of £387m for the period 2012/13 to 2021/22 including the agreed new capital bids of £59.8m. Cabinet also noted the housing investment programme of £397.5m for the period 2012/13 to 2015/16.

7. With a total forecast spend of nearly £1billion the capital programme represents a major element of the Council's financial activities. It has a significant and very visible impact on the borough and hence on the lives of those who live, learn, visit and or do business in the borough.

8. Due to the size and scale of the capital programme and the number of projects involved, it is inevitable that unforeseeable delays can occur which lead to some variations against planned spend. Historically the capital programme has been over programmed in year to compensate for these variations, whilst retaining a balanced programme overall.

9. This report sets out the outturn position for 2012/13 for the General Fund and the Housing Investment Programme (HIP).

KEY ISSUES FOR CONSIDERATION

2012/13 Outturn Position

10. The table below shows the 2012/13 outturn for the General Fund and the Housing Investment Programme against the budgeted expenditure. There was a variation of £63m against the General Fund programme and a variation of £7m on the Housing Investment Programme. These variations are largely explained by the re-profiling of budgets across a range of several schemes on departmental programme activities as a result of the complexities of procuring contracts and works across a programme of this magnitude and the practicalities of contract management and monitoring.

Department	2012/13 Budget £m	2012/13 Outturn £m	2012/13 Variance £m
Childrens Services	31.5	8.3	23.2
Adult Social Care	2.0	0.2	1.8
Southwark Schools for the Future	47.2	35.1	12.1
Finance and Corporate Services	182.1	179.7	2.4
Environment	24.2	16.2	8.0
Housing General Fund	6.3	3.2	3.1
Chief Executive	28.7	16.3	12.4
Total General Fund	**322.0**	**259.0**	**63.0**
Housing Investment Programme	**92.6**	**85.6**	**7.0**

11. The total General Fund departmental expenditure was £259.0m against a revised budget of £322.1m but the expenditure includes the amount of £178.1m incurred in December 2012 for the freehold acquisition of 160 Tooley Street, following cabinet approval on 11 December 2012. Therefore, for comparison purposes with previous year, once this significant one-off expenditure is adjusted, the revised spend figure (excluding the above cost for 160 Tooley Street) is £80.9m for 2012/13 and this figure is slightly lower than the 2011/12 outturn figure of £84.2m.

12. The variation of expenditure to budget in 2011/12 was 37% and this has increased slightly to 44% in 2012/13 indicating that some of the budgets within the capital programme had been over-programmed to accommodate an element of expenditure re-profiling that may be required on large and complex projects over the course of the year.

13. The total Housing Investment Programme expenditure for 2012/13 was £85.6m against a budget of £92.6m and this is a 60% increase in the expenditure figure of £53.5m for 2011/12. The variation of expenditure to budget in 2011/12 was 49% and this has reduced significantly to just 7% in 2012/13 and this illustrates the increased and accelerated investments being made on the Warm, Dry and Safe programmes within the Housing Investment Capital Programme.

14. The sections below provide commentary on the outturn position by departments for 2012/13.

GENERAL FUND (**APPENDIX A**)

Children's and Adult Services

15. In summary the capital programme across Children's and Adults Services for the period 2012/13 to 2021/22 is £93.4m with a total budget of £33.5m and expenditure incurred of £8.5m for 2012/13.

Children's Services

16. The revised capital programme at Quarter 3 2012/13 was £81.2m. The forecast outturn for 2012/13 at Quarter 3 was £9.7m against the budget of £31.2m and the final outturn was £8.3m against a budget of £31.5m.

17. As highlighted in the quarter 3 monitor there was a risk of programme re-profiling due to the contract for Southwark Park Primary School not being awarded in the year. This was indeed the case and so the final outturn of £8.3m reflects this re-profiling.

18. The major expenditure categories for 2012/13 included £6.4m investment in primary school places at St. Anthony's, Haymerle and Crampton and temporary expansion classes for 300 places at eight schools. A further £0.2m was spent on additional kitchen equipment to enable the provision of free healthy school meals. The remaining £1.7m was spent on smaller schemes, final account payments for finished schemes and investment in the fabric of the existing school environment.

19. There continues to be a pressure for primary school places and a further paper will be presented to Cabinet to detail the emerging primary strategy for places and the available funding.

Adult Social Care Services

20. The total Adults' Social Care Capital programme for the period 2012/13 to 2021/22 is £12.2m with £231k spent in 2012/13 against an annual budget of £2.0m. The £231k expenditure during 2012/13 was incurred in the post completion and equipment costs at Southwark Resource Centre and renovation works on Stones End.

21. The slippage in the 2012/13 budget will be rolled forward to support plans for the Centre of Excellence. The main movement from Quarter 3 forecast expenditure was due to revised plans around the renewal of Orient Street which is now expected to be undertaken in 2013/14.

Southwark Schools for the Future

22. The budget for the year was agreed at £47.2m. The forecast outturn at quarter 3 was for £39.3m and the actual outturn was £35.1m.

23. The variation between the original budget and final outturn total was £12.1m of which £7.9m was identified at quarter 3. The main reason for the variation to the Q3 forecast is the slippage of milestones for St Michael's and All Angels College and the co-located Highshore school at £3.5m and the remaining smaller slippage on the main ICT programme and Walworth Academy drawdown of ICT funding.

24. Key variances that have occurred during the year include budget rolled forward at the beginning of the year being re-profiled to better reflect the anticipated

programme totalling £8.2m; the £3.5m described above and minor slippage account for the remaining variance.

25. During the year the programme has delivered the following achievements:

- the New School Aylesbury design and build was completed ready for Sacred Heart to take up occupation in September 2012 enabling the new PFI school at Sacred Heart to commence on a cleared site
- the major refurbishments at Notre Dame school are now complete; and further
- the final phase two for the PFI school at St Thomas the Apostle College completed in November 2012.

26. In December 2012 the phase 3c for SILS KS3/4 contract was awarded for construction start in the spring 2014.

Finance and Corporate Services

27. The capital programme of this department focuses on two key areas: information technology infrastructure projects and premises improvements to council buildings.

28. The total value of the capital budget for the department over the period 2012/13 to 2021/22 period is £203.0m.

29. The budget for 2012/13 was £182.1m with the final outturn expenditure of £179.7m at the end of quarter 4 and most of this expenditure related to the cost of £178.1m incurred by the Council for the freehold acquisition of 160 Tooley Street in December 2013, following cabinet approval on 11 December 2012. There was also expenditure of £1.1m incurred during the year on IT projects including upgrade of the technical infrastructure, upgrade of Citrix and an increase in data storage.

30. This recent freehold acquisition of the council building, 160 Tooley Street now gives the council increased scope as freeholder to consider targeted investment in works to the building that will increase the utilisation of the building both to improve service delivery and offer increased community use of facilities where possible.

31. The procurement of a new Facilities Management (FM) services supplier has been approved by cabinet with the 5 year contract commencing on 1 February 2013.

32. To address the future FM capital requirements of the council's operational estate, a bid of £10.25m was approved by cabinet in the capital programme refresh. This reflects the anticipated cost of undertaking a co-ordinated PPM and compliance programme on council property fabric and services from 2013/14. Work is currently underway on analysis of the existing conditions surveys of the operational estate to develop a targeted investment programme of services replacements, upgrades and compliance related remedial works. The first elements of this programme, which consist of phase 2 & phase 3 of the fire related remedial works are anticipated to be completed in 2013/14.

33. The key achievements during the period 2012/13 were to upgrade the technical infrastructure, and also introduce a more secure and resilient environment. The upgrade was a necessary prerequisite to enable core projects to be introduced in the coming few months. These projects include the introduction of an upgraded Citrix solution, increased data storage and the provision of improved applications such as Microsoft Office (2010). All legacy data lines are now able to be upgraded which will improve accessibility, increase capacity at the same time as reducing the overall revenue costs. In addition to the above, the activities include the movement of the computer data centre from the Town Hall to a purpose built and secure environment. This work was essential in order to allow for the disposal of this and other similar buildings

34. Capital spend in 2012/13 from the residual Property Capital Works and DDA capital budgets was focused on relatively small urgent capital works and services replacement projects that deliver reduced revenue running costs and improved environmental performance.

Environment & Leisure

35. The department carried out a detailed review of the capital programme during the third and fourth quarters of 2012/13. Projections and profiling of spend were scrutinised to ensure realistic estimate of expenditure for the year. The latest capital outturn for 2012/13 is £16.2m against the final agreed budget of £24.2m giving a variance of £8.0m, which will be carried forward into 2013/14. The progress of major schemes are outlined below.

Sustainable Services

36. 2012/13 was the first full year of operation at the new Integrated Waste Management Facility (IWMF) at the Old Kent Road and it has already been recognised for innovation at an industry awards ceremony. The facility won an award for Excellence in the category of Innovation in Design of a Waste Management Facility. The award was sponsored by Letsrecycle.com with the ceremony hosted by TV broadcaster and journalist, Jon Snow.

37. The division is currently working with Facilities Management to decommission Manor Place Depot. It is expected that all the division's operations would be out of the depot by the end of June 2013.

38. The budget for the scheme covers the costs of site acquisition and preparation for the new facility and an access road. The facility itself was financed by Veolia and repayable through the PFI unitary charge.

39. The 2012/13 budget for the scheme was £711k. Actual spend at the year end was £680k leaving a net favourable variance of £31k. The remaining planned items covered by this budget are predominantly planning related costs which may be payable to planning and highway authorities (LBS and TfL). Most of these items are conditional on the results of a number of road traffic surveys.

40. The remaining budget includes £520k in respect of the obligation to provide an Off-Site Renewable Energy Infrastructure. This is almost certain to be discharged by the Southwark Heat Network from South East London Combined

Heat and Power plant (SELCHP) project. Although the project is well underway, until it is deemed to be successful, the division has taken a prudent view and projected the £520k as a liability. The pipe work is being laid currently with an expected operational date of October 2013.

Public Realm

41. In spite of the challenges caused by the Olympics embargo and the adverse weather, all the scheduled projects in the Non Principal Road (NPR) Programme for the year 2012/13 have been completed on time. These have been achieved at a lower cost than forecast i.e. spent £4.4m against a budget of £5.2m leaving a variance of £0.8m. The remaining capital allocation for 2012/13 will be rolled forward for allocation to schemes in the 2013/14 programme.

42. There was an urgent need for bridge strengthening and retaining wall works to be undertaken in 2012/13. The Division received a grant of £509k from London Bridges Engineering Group (LoBEG) and this has been fully spent.

43. Cleaner Greener Safer (CGS) end of year spend was £1.9m against a full year allocation of £1.9m and a total budget including carry forward from previous years was £4.4m. This is due to a number of projects being delivered under budget, delays in the receipt of some external grants and delays in delivery of grant funded projects. Community Councils decided not to reallocate favourable variance to new projects until they had made decisions on the 2013/14 programme. These decisions were taken in April 2013.

44. The Southbank Accessibility project was successfully brought in significantly under budget generating savings compared to the original estimate of approximately £300k - the exact outturn awaits completion of final account for works recently completed. Any unspent money will be returned to GLA.

45. The CONNECT2 project concluded in the last quarter of 2012/13. This is the successful culmination of a project that has been planned for many years. The Council has worked successfully with Sustrans, BIG lottery and local community groups to deliver a new pedestrian and cycle bridge across Rotherhithe New Road improving access to South Bermondsey station, which replaces a redundant railway bridge that had been derelict for many years. Full spend has been achieved although some outstanding contractor invoices are still awaited. Sustrans have agreed that these invoices can be paid from 2012/13 grant allocation.

46. Phase 1 of the Burgess Park Revitalisation project was completed in July 2012. The project has been a resounding success with positive feedback from stakeholders, the wider community and increased usage. The remaining funds in this phase are re-profiled to spend in 2013/14 and represent the retention payments on the project due next year plus an amount to rectify drainage issues. £200k was allocated in the capital programme for a borehole within the Park, however the Environment Agency is currently reluctant to provide a license for abstraction from the water table. Officers will provide advice in the next capital refresh on the viability of this plan.

47. Currently, Burgess Park Revitalisation project budgets are spread across four capital cost codes. It is proposed that all these budgets be combined into one cost code to ensure effective monitoring and management of the budget.

48. Phase 2 of the Revitalisation project is currently being finalised but includes the delivery of the new BMX track in Burgess Park. The track received planning permission in March 2012 with most of the expenditure funded from external sources. The project is due for completion in the summer of 2013.

49. Cemetery Development – There has been some delay in our Cemetery capital projects in 2012/13. Mercury Abatement at the crematorium was delayed from April 2013 to June 2013 due to the delays with planning and listed building consent. An access road between the Cemetery and Crematorium (£100k) has been completed.

50. Initial planning has commenced on the remediation of the contaminated area at the Honor Oak and Camberwell Old cemeteries and the works will commence in 2013/14. The preparation of a new burial area at site F at Camberwell Old Cemetery work was delayed due to poor weather and will now be operational from August 2013.

51. Currently, cemetery investment related budgets are spread across a number of capital codes. It is proposed that all these budgets be combined into one cost code to ensure effective monitoring and management of the budget.

Culture, Libraries, Learning & Leisure

52. Dulwich Leisure Centre and Camberwell Leisure Centre phase 2 works were completed on target. Leisure Centre phase 3 works to provide two new sports halls were also completed in December 2012, but the contractor retention date is not until June 2013.

53. Work at Pynners Sports Ground involves rebuilding the pavilion that was destroyed by a fire number of years ago. The project has slipped because of ongoing issues with external contractors regarding energy supplies to the pavilion but is expected to be completed in 2013/14.

54. The Thomas Calton Centre refurbishment was started late in 2012/13 and will complete in 2013/14. The works are to address longstanding maintenance issues to the roof and fabric of the building. Spend is profiled over 2 years for this project.

55. Olympic Legacy Fund - The capital programme was a provision of £2m over 2 years for the Southwark 2012 Olympic capital legacy fund with an objective to invest in capital projects that support a lasting Olympic and Paralympic legacy in Southwark from the 2012 games, improving access to and increasing participation in physical activity and encouraging the development of the Olympic values in the borough's communities. The project spend has been re-profiled so more than £1m) appears in the second year. All the projects except Southwark Park Athletics Track (SPAT) are now in their construction phase. This spend has successfully attracted £991k of external funding.

56. Implementation of RFID equipment (Radio Frequency Identification) at Dulwich and Peckham were completed in 2012/13 and two more libraries (Newington and new Camberwell library) are scheduled for 2013/14 onwards.

Community Safety & Enforcement

57. CCTV Digital Upgrade –digital upgrade at the CCTV monitoring suite at Southwark police station was completed in June 2012.

58. The division is now focusing on the Housing refresh programme which is a key element of the digital upgrade. This phase of the project is designed to link the housing estates camera networks to the control suite. The project is underway and expected to be completed by 31 March 2014. The funding for this contract is within the capital allocation of £1.4m approved by the Cabinet for the Housing CCTV Refresh programme. There is a variance of £187k as the contribution from Housing to this budget for the full 2 years was received in 2012/13.

59. Installation works on the Aylesbury Estate which included the installation of 4 re-deployable CCTV cameras in the Thurlow/Kinglake Street area are now complete. These cameras are operational and connected to the new digital CCTV control room. The lifecycle cost of the CCTV project is projected to be within budget.

Chief Executive's Department

60. The Chief Executive's department consists of four main project areas, namely planning, framework and implementation, regeneration, and other regeneration projects. Though distinct, the project areas are collectively responsible for leading the council's overall vision of transforming the borough's landscape through the delivery of key regeneration projects such as Elephant & Castle leisure centre, Gateway to Peckham, Revitalise[5] Camberwell, and Office Accommodation strategy amongst others.

61. The total programme budget for the department over the 2012/13 to 2021/22 period has increased from £70.1m to £70.9m since quarter 3 monitor was presented to the Cabinet. The budget increase of approximately £800k is due to a combination of additional funding (grants, s106) secured in the quarter, and reserves contribution of £659k for site preparation works at the Elephant & Castle Leisure centre. Currently, the projected expenditure over the same period is £70.6m. This creates a projected favourable variance of approximately £300k which is in the main due to savings achieved on the delivery of Canada Water development projects.

62. In 2012/13, the department incurred expenditure of £16.3m against a budget of £28.7m. The positive variance of £12.4m is largely due to the re-profiling of key projects into future years, the most significant being Elephant & Castle leisure centre.

63. The Elephant & Castle leisure centre had a positive variance of £4.5m which is being re-profiled into 2013/14 due to the necessary archaeological works to the site and the resultant discovery of significant human remains requiring further

sensitive excavation.

64. In addition to the above, the negotiation of the contractual interface with the neighbouring residential development meant that it was not possible to reach contract close until April 2013. The contractual arrangement with 4 Futures, the council's supplier for these works and services, meant that payments prior to contract close are limited and therefore a relatively small slippage in time resulted in a large change in the profiled budget for 2012/13.

65. There were also some smaller variances across other projects such as improving local retail environments, office accommodation strategy and Bermondsey Spa improvements which contributed to the overall departmental variance on the 2012/13 budgets. These projects are being re-profiled and will be progressed through our delivery partners and most of them will complete in the next financial year.

66. Details of divisional expenditure and key achievements in project delivery are outlined in the following paragraphs.

67. The planning division has a total budget of £8.2m; of which £7.5m (91%) is funded by TfL to deliver transport improvement programme contained within the borough's transport plan. In 2012/13, the division spent £2.6m to deliver various transport improvement schemes. This includes improvements to East Walworth and Faraday (Green Links) and the installation of Estate Cycle Parking on a number of the council's estates.

68. Other schemes aimed at delivering improvements for pedestrians and cyclists were progressed. These include Green Link schemes in Camberwell, East Walworth and Faraday as well as the Greendale link. The division continues to work with Southwark Cyclists to identify further improvements to cycling infrastructure through the Joint Cycling Steering Group.

69. Revitalise5 Camberwell, a £7m scheme to transform the streets in Camberwell was in the second year. With an allocation of £650k from Transport for London, concept designs and associated transport models were developed and consulted in early 2013. From this, a preferred option will be developed and detailed design undertaken in 2013/14 with construction in 2014/15. Alongside this, work has commenced on developing a master plan for Camberwell Green, which will be consulted alongside the Revitalise Camberwell programme.

70. Planning permission to construct a new library in Camberwell was granted on 4 June. When completed, the new library will be a modern, flexible space providing a range of activity to meet local needs. Based on experience, it is anticipated that use will increase very significantly compared to the current library and given the increased activity the new library will bring, there is a desire to increase security measures through the installation of 3 CCTV cameras.

71. Work is on going to finalise the building's internal designs, fit out, internal ventilation systems and detail design for civic space. Final costs for all elements of the scheme will be established in October and the Cabinet will be informed of any additional request for funding.

72. The council progressed Gateway to Peckham, an £11m capital project jointly funded by the council and the GLA. This project will unlock the potential of Peckham Rye Station by creating a public forecourt, reconfiguring the retail layout and ensuring there is a vision for the future of the station and surrounds.

73. Framework and Implementation within planning division has a budget of £6.5m, largely funded by s106 and capital receipts. In 2012/13, the unit spent £2.9m to deliver various projects across the borough. These projects include Legible London scheme in Bankside and Bermondsey, the refurbishment of St John's Churchyard and 2 shopping parades in East Street as part of the Improving Local Retail Environments (ILRE) programme.

74. Other schemes completed include the public realm improvements at Great Suffolk Street, the construction of a green roofed extension to the Flat Iron Square cafe (both funded by a £300,000 grant from the GLA) and the Dog and Pot public art project on the corner of Blackfriars Road and Union Street to commemorate Dickens bi-centennial. The remaining seven ILRE sites - the 3 parades in Jamaica Road, the 2 parades in Southampton Way (designed to complement the public realm improvements completed 2011/12), Rotherhithe New Road and Lordship Lane have been completed amongst others.

75. A variety of schemes are ongoing as part of the Greater London Authority's Outer London Fund programme in Nunhead. A new pop-up shop has been opened utilising one of the Council's own properties, which has been totally renovated. Public Realm completed resurfacing part of Evelina Road and new highway lighting was installed. Consultants have been appointed for the next phase of shop front improvements and designers have also been appointed to look at Nunhead Green.

76. A number of events took place as part of the Elephant to the Nun Festival was supported and in addition, a community website is now in operation. Further work is programmed for delivery in 2013/14 in Nunhead including the implementation phase of the shop fronts and park improvements, new lighting to the Railway Bridge and way finding in the vicinity of the station. Further support to implement a festival programme is also planned.

77. A series of schemes are currently under development for delivery in 2013/14. These include the public realm improvements in Webber Street and in the vicinity of Barons Place; Rothsay/Alice Street improvements; Lamb Walk improvements; the Nelson Square Play Area re-design; and Mint Street Park refurbishment, all of which are being designed by the Public Realm Department.

Market Place Customer Service Point (My Southwark)

78. The former Bermondsey One Stop Shop was replaced by a new retail style service point at 11 Market Place branded My Southwark. Works were completed during quarter three and the new facility was opened on 18 December, allowing for the capital disposal of the site at 17 Spa Road for redevelopment as part of the Bermondsey Spa regeneration scheme. Staff and customer feedback on the design and new provision of service is positive.

Queens Road Block F (Queens Road 1)

79. Practical completion was achieved on 30 July 2012 providing a modern, flexible office space with 210 desks spread over 4 floors and a range of public facing meeting rooms for pre booked appointments on the ground floor. Staff moves commenced 13 August 2012 and concluded in December 2012. The facility now accommodates approximately 360 staff from across Adult Social Care, Housing Management and Community Safety on a desk to staff ratio of 6:10. The building is now operational. Development of this site has allowed the vacation of a range of small and medium sized properties including important sites at Mable Goldwin House and the Chaplin Centre.

Queens Road Block J (Queens Road 2)

80. The council is progressing with development for a generic office fit out at Queens Road 2. The site will deliver 86 workstations spread over four floors. The programme for fit out is due to be completed by end of 2013 with works due to commence in June 2013.

Queens Road Block C (Queens Road 3)

81. Negotiations for a lease for a third site at Queens Road were completed in September 2012. Fit out works commenced on 5 November 2012, with practical completion achieved ahead of schedule in April 2013. The first occupation was on target on 22 April with full occupation on track for 31 May.

82. This site has been brought forward in order to rapidly deliver a high quality 120 desk customer contact centre, delivered in time for the provision of a new in-house service from 1 June 2013.

Children Looked After Accommodation

83. Final works were completed during 2012 at children's specialist sites in Peckham. The development allowed for the complete vacation of the former poor quality council officers at Bradenham Close and Harper Road.

Housing General Fund

84. The total budgets for the Housing General Fund capital programme for the period 2012/13-2021/21 is £28.7m and the budgets for 2012/13 was £6.3m. The final outturn expenditure for 2012/13 was £3.2m indicating a variance of £3.1m.

85. The variances relates to various schemes across the Area Renewal, Housing Renewal and Travellers sites projects and these will be reviewed and re-profiled across the following years.

86. The sections below provide a detailed commentary on the major areas of activity across the various capital projects within the Housing General Fund areas.

Area Renewal

87. The East Peckham renewal area group repair scheme for Goldsmith Road, Marmont Road and Furley Road started on site in August 2011 and was completed in December 2012. There was some delay in the completion of the scheme due to the area being in the Olympic exclusion zone for works affecting the public highway.

88. The overall scheme covered 139 properties including 43 council, 35 housing association and 61 private homes, all of which benefited from brick cleaning and garden walls, while low income home owners and council properties also received new doors, windows and roofs. The scheme also included insulation works to some of the properties, attracting grant funding through the community energy saving programme (CESP).

89. In addition to the insulation of properties, further energy saving works started on site in September to provide solar heating to approximately 60 homes. These works were grant funded (£420k) by the GLA.

90. A successful bid was made to secure additional resources from the Outer London Fund for shop front works and environmental improvements within the Nunhead area. The Planning Projects and Area Renewal teams have re-programmed works to maximise the benefit of the projects and to tie-in to other development in Nunhead such as the construction of a community centre and new homes on the former Early Years site and eight new council houses on the former community centre site.

91. The responsibility for delivery of some of the housing renewal area projects is complete, and the profiling of the forecast has been adjusted from 2013/14 onwards.

Housing Renewal

92. Grant funding of £449k was made available for 2012/13 through the South East London Housing Partnership (SELHP) for empty homes grants. £95k was spent in 2012/13 with the remainder re-profiled and committed for spend from 2013/14 onwards. The scheme is directed toward reinstatement of empty homes via GLA funding, and provision of loans.

93. An additional £198k has been confirmed by HCA/GLA for 2013/14 for the Empty Homes fund round 1 to develop 13 units. It has been preferable to use these additional funds first and so reduce the immediate call on the corporate budgets, which will be carried forward to continue the programme meeting future demand, as HCA/GLA funding is not guaranteed after this year.

94. Demand for disabled facilities grant remains high, with a profiled budget of £998k and £515k government grant funding received in 2012/13; spend at the end of the year was £1.1m with £340k of commitments. Other changes have been agreed to budget profiles to reflect demand across various grant types.

95. An overall sum of £4.655m is anticipated to be available from government grant funding for Disabled Facilities Grants (DFGs) to 2021/22 to cover housing

renewal works. It is likely that there could be significant pressure if the council is to meet ongoing demand in this service area from 2013/14 with the resources available solely through DFG with spend and commitments of £1.5m in 2012/13 and around £1.7m for 2013/14. The call on resources from registered providers in the borough in addition to Southwark residents has been managed through a series of agreements to contribute at least 50% towards the cost of works.

96. From 2013/14 it is proposed to make savings adjustments to the level of assistance available under the various grants and loans schemes operated by the housing renewal section, in light of resource availability. A number of cases have rolled forward to 2013/14 due to anticipating the revised levels of assistance coming into place. There will also be a move towards more loan based products than grants. These schemes offer financial support this year in the £5k-£15k region, subject to award criteria of each regime.

Travellers' Sites

97. The Gateway 2 to appoint contractors for the Springtide travellers' site is currently being finalised. Expenditure has therefore been re-profiled for two years from 2013/14 in line with the anticipated start on site in the summer of 2013. This will utilise the government funding received for the programme along with approved match funding from the council.

98. The railway embankment retaining wall at the Ilderton Road site boundary has been established as the responsibility of Network Rail, who have attended the site to assess the work required. Discussions are ongoing with Network Rail to ascertain the extent of these works. Consequently the budget provision has been moved into 2013/14 to cover any liability to LBS which may rise on conclusion of these discussions.

Affordable Housing Fund

99. Progress at Family Mosaic's development at Ivydale Road is ongoing and is expected to complete in autumn 2013. Affordable Housing Fund allocation for this scheme was £1.138m, with the initial tranche being claimed in 2011-12 prior to start on site. The balance of £455k is expected to be claimed in 2013/14. AHF funding for the scheme is entirely from developer S106 contributions.

Housing Investment Programme (APPENDIX B)

100. The overall budgets for the Housing Investment Programme for the period 2012/13 to 2015/16 are £403.7m. The 2012/13 final capital outturn was £85.6m against a budget of £92.6m, resulting in a variance of £7m which produces an in-year variation of expenditure to budget of just 7% for 2012/13.

101. The variance relates to several schemes within the Housing Investment Programme and these will be reviewed for re-profiling in 2013/14. The section below provides a detailed commentary on the major areas of activity across the various capital projects within the Housing Investment Programme.

HIP: Warm Dry and Safe

102. Despite the delayed start to the programme and the mutual conclusion of two of the partnering contracts, spend target for 2012/13 WDS of £63m was achieved with expenditure of over £64m. A spend target of £80m has been set for 2013/14 and the programme remains on course to be fully committed by the end of 2015/16.

103. The 2011/12 programme is now largely on site. It is currently behind schedule mainly due to the delayed decision by Lands Tribunal in December 2011 and replacing of Wates (partnering contractor). The remaining two schemes in 2011/12 programme which were previously under Wates, are expected to be on site in 2013/14.

104. Over half of the schemes in 2012/13 programme are on site. Due to the suspension of the Breyer contract, the Brandon estate will now be on site in 2013/14. The Dickens estate previously under Wates will also be on site in 2013/14. This has meant lower expenditure this year, however, agreed costs for the schemes are higher than estimated in the stock condition survey and the WDS contingency fund is being used to meet the budget shortfall, so the actual expenditure on these schemes is expected to rise.

105. Expenditure on individual heating systems was brought forward from 2015/16 meaning that more residents were able to benefit from more efficient boilers earlier than expected.

106. Our partner contractors have been commissioned on the 2013/14 programme and we expect majority of the works to be on site by the end of 2013 with the exception of Aylesbury as we are waiting for the scheduling of works. We are also bringing forward £14.9m of works from future years to start in 2013/14 subject to conformation of the 2013/14 Decent Homes Backlog Funding.

107. All high rise blocks with a substantial risk from the fire risk assessments have been completed as part of the FRA Programme. The majority of the higher moderate risk high rise blocks are also complete; however, a few schemes are now due to complete in early 2013/14 meaning that some of these works will be re-profiled. Gloucester Grove has also been added to the programme and is currently being funded from the WDS contingency budget. Whilst the programme has addressed the higher risk properties, there are still lower moderate risk high rise blocks requiring work. In addition further surveys are being undertaken on FRA works required for street properties and lower rise blocks. Work is being undertaken to prioritise these assets in discussion with the London Fire Brigade. Once the work required is confirmed, approval will be sought for the additional resources required.

108. After the 1,189 homes falling into non-decency at the start of the financial year, the overall level of decent homes had a net increase of 3.8% during the year, giving a level of 60.31% at year end.

109. As more schemes are on site and completing in 2013/14 there is expected to be a larger rise in the levels homes meeting the decency standard.

110. The budgets for some of the above programmes that are currently being funded from WDS contingency budgets to meet the additional costs, will be adjusted

between programme and contingency budgets to ensure the budgets reflect the expected costs of the programmes for effective monitoring and reporting of programme expenditure against budgets.

HIP: Housing Regeneration

111. The favourable variance of expenditure to budgets in the Housing Regeneration Programme is due to fewer buy backs than anticipated across the programme. These affect the Aylesbury and Elephant & Castle regeneration projects, and schemes at Bermondsey Spa and Abbeyfield. The council's approach to negotiate voluntary agreements rather than rely on compulsory purchase orders means that while the funding needs to be in place, the timing of expenditure is difficult to forecast, with some £10.2m of planned expenditure now falling into later years.

112. There were also some favourable variances on the Aylesbury PPM budget areas which are mainly due to budget profiling issues and these areas will be reviewed for accurate profiling for 2013/14 onwards.

113. The programme includes provision for new build hostel provision originally intended for two developments at Willow Walk and Southampton Way. The current proposal is to provide a combined scheme at Willow Walk to provide a new 50 bed unit.

114. Planning permission for the new hostel was obtained in March 2013 and contractors subsequently appointed. The scheme is now scheduled to start on site in the summer of 2013/14. In light of the spend against budget allocation for this year, the remainder of the budget will be re-profiled for expenditure over the next two years.

115. This development will be forward funded from a budget allocation of £4.5m contained within the programme and reimbursed from capital receipts from the sale of land at Southampton Way and a proportion of the site at Willow Walk due to be sold on completion of the new hostel.

116. The Lindley new build scheme is nearing completion with handover due in the summer of 2013 and therefore the balance of £600k from the £2.6m budget allocated to this scheme has been re-profiled for expenditure next year. The HCA agreed a revised completion date in 2012/13 for Lindley which meant that the grant funding position was not affected.

HIP: Other Housing Programmes

117. The Void Disposal Strategy has impacted on the number of properties identified for inclusion in the major voids programme resulting in a slight variance of expenditure to budgets during the year. There are however, a number of properties in the pipeline next year with the emphasis on trying to retain large family homes. As these homes require more investment than smaller properties, it is anticipated that expenditure in this area will increase for 2013/14.

118. The favourable variance £897k of expenditure to budgets in the new build hostel accommodation scheme was due to a review of contract award for the delivery

of each phase and the need to complete further surveys which affected the progress of the programme. Works are now due to commence on site in autumn 2013, resulting in the completion of two new hostels.

Resource implications

119. The council's capital resources are comprised of the following:

- capital receipts from disposal of property
- grants
- external contributions
- section 106 contributions
- housing major repair reserve
- contributions from revenue
- contribution from reserves
- internal borrowing
- external borrowing

120. After financing the capital expenditure for 2012/13, the council had accumulated cash balances of £128m, as reflected in the draft statement of accounts which will be used towards the funding of the capital programme. The balance consists of:

- capital receipts reserve balance of £29.3m
- capital grants unapplied balance of £98.7m (of which £74.9m relates to S106 funds used to fund both capital and revenue programmes)

121. In relation to the balance of unapplied capital grants (£98.7m), £4.7m consists of HRA funding and the remaining balance of £94m relates to General Fund grants.

122. These balances are committed against existing capital projects but were unapplied as at 31 March 2013 and could be subject to minor adjustments following the finalisation of the 2012/13 accounts.

Housing Services HRA Resources

123. The final expenditure on the Housing Investment Programme was financed by £11.8m from revenue, £12.6m from capital receipts, £48.6m from Major Repairs Reserve and £12.7m from capital grants.

124. Revenue funding of capital at £11.8m included £6m made available from a flexible funding budget of £7m, where only £1m was required for revenue cyclical and central repairs.

125. The additional revenue support enabled use of capital receipts for capital funding to be reduced to £12.6m and with around £31m received during the year led to an increase in unused capital receipt balances to be carried forward.

126. Funding from Major Repairs Reserve at £48.6m is mainly from the annual depreciation charge, with some use of previously earmarked balances.

127. The capital grant funding at £12.7m was mainly the first of three years funding for Decent Homes backlog works, with smaller amounts for completed new build dwellings

Resource Re-profiling

128. Due to the size of the capital programme and the number of projects involved, it is inevitable that unforeseen delays can occur leading to some variation against planned expenditure. As noted in the preceding paragraphs, the 2012/13 outturn position has resulted in a general favourable variance across the programme which it is recommended be re-profiled in the new financial year 2013/14, in light of the outturn position. Detail of this is shown at Appendix D.

129. Some of the forecasts will require further re-profiling when the programme is subject to a more detailed review by service managers during 2013/14 in terms of expected spend for the year based on the latest information available on procurement and contract management issues.

130. During 2012/13 there have been a number of funded and agreed variations to the capital programme budgets. These have been included in the total budgets against which the outturn expenditure is set, in order to provide an up-to-date position of the budgets available at 1 April 2013. Detail of this is shown at Appendix C.

Risks

131. A number of risks have been identified which can affect the successful delivery of capital projects and which have been described below.

- Programme slippage resulting in slower than anticipated use of resources is mitigated through use of realistic timelines and supporting programme assumptions and documentation. Resource allocations are made to specific schemes so that resources use can be tracked against specific programmes.
- Lack of management and/or departmental capacity which could result in poor quality financial management is mitigated through use of dedicated finance teams and management of departmental programmes by appropriately qualified departmental finance managers, who are responsible for the outturn positions of each department.
- Lack of certainty over the timing, amount and origin of funding sources is mitigated through monthly financial monitoring with re-profiling and reallocation of resources where needed. Suitable controls are in place to govern the approval of new items, and virement/reallocation of resources. The programme is subject to regular refresh through cabinet.
- Changes to funding regimes due to legislation or central government requirements resulting in negative impacts on the programme are mitigated where possible through contact with departments, use of a range of funding sources, development and retention of reserves and robust forward planning. A clear, regularly updated disposals programme allows the council to forecast its receipts profile with reasonable accuracy and supports a level of flexibility in the programme.

Community impact statement

132. This Outturn 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.

Legal implications

133. The legal implications of this report are identified in the concurrent report of the Director of Legal Services.

Financial implications

134. This report fully explores the financial implications of the capital programme for the general fund and the housing investment programme at the end of 2012/13.

Consultation

135. Consultation on the overall programme has not taken place. However, each of the individual projects is 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

136. 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.

137. 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 Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix A	General fund capital programme summary 2012/13 at Outturn
Appendix B	Housing revenue account capital programme summary – 2012/13 at Outturn
Appendix C	Funded virements and variations for approval
Appendix D	General fund capital programme details

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance, Resources and Community Safety	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Report Author	Jay Nair, Senior Finance Manager	
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CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
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Cabinet Member	Yes	Yes
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