Item No. 18.	Classification: Open	Date: 17 September 2013	Meeting Name: Cabinet
Report title:		Quarter 1 Capital Monitoring for 2013/14	
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 expenditure performance of the council on its capital programme for the first quarter of current year and asks the Cabinet to agree the funded variations set out in Appendix C. These variations include utilising money saved by the Environment Department through efficiencies to bring the Livesey Building back into use.

Further work is being carried out to improve project controls and projections to ensure that the council is making an optimal use of the capital budgets.

RECOMMENDATIONS

That cabinet:

1. Notes the general fund capital programme for the period 2013/14 to 2021/22 as at Quarter 1 2013/14, as detailed in appendix A and D.

2. Notes the housing investment programme for the period 2013/14 to 2015/16 as at Quarter 1 2013/14, 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 for 2013/14 and future years for both the general fund and housing investment programmes as detailed in Appendix A, B and D based on latest information available at Quarter 1 2013/14.

BACKGROUND INFORMATION

5. On 16 July 2013, the 2012/13 capital outturn report was presented to the cabinet. This reported the capital outturn position of £259m on the general fund programme and £85.6m on the housing investment programme for the financial year 2012/13.

6. At that meeting, cabinet also approved the re-profiling of the expenditure and resources for the financial year 2013/14 in light of the 2012/13 outturn position for both the general fund and housing investment programme and noted that further re-profiling will be required during 2013/14 based on more up to date information available.

7. With a total forecast spend of approximately £670m the current 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 re-profiled budget and forecast outturn position for 2013/14 for the General Fund and the Housing Investment Programme (HIP).

KEY ISSUES FOR CONSIDERATION

General Fund Capital Spend

10. The 2012/13 capital outturn report showed expenditure of £259m against a total budget of £322m on the General Fund. The 2012/13 capital spend also included the one-off expenditure of £178.1m for the freehold acquisition of 160 Tooley Street. The 2013/14 budgets has been re-profiled in light of the 2012/13 outturn position and the revised budgets for 2013/14 indicate a forecast spend of £94.2m. The summary position and the programme details by departments are reflected in Appendix A and D respectively.

Housing Investment Programme Spend

11. The 2012/13 capital outturn report showed expenditure of £85.6m against a budget of £92.6m on the Housing Investment Programme. The 2013/14 budget has been re-profiled, taking into account the latest information available on contract procurements, scheme progress and possible slippages. The total re-profiled budgets on the Housing Investment Programme for 2013/14 is £120.6m. The majority of the expenditure on the Housing Investment Programme relates to the numerous works on the Warm, Dry and Safe programmes which is forecast to spend £81.4m in 2013/14. Details of the schemes and budgets within the Housing Investment Programme are reflected in Appendix B.

Resource implications

12. 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

13. The capital programme is influenced by resource timing and availability. Over the life of the programme, all commitments must be met from anticipated resources. The final funding requirement will be based on the final actual expenditure, and will seek to maximise the use of grants and other funding sources, prior to the use of capital receipts. Regular monitoring and formal reporting regulates the programme and mitigates cash flow and funding risks and officers undertake regular reviews as part of the process for preparing monthly and quarterly monitors to assess income to date, forecasts and changes.

14. 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 and budgets re-profiled in line with anticipated spend. 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.

15. In developing and managing its capital programme the council has to maintain clear control on the selection and use of resources to finance capital expenditure. Strategies for investments, borrowing and treasury management facilitate this control and assist the council to have clear strategic direction on its use of resources, to identify new resources or to make changes to the use of resources at an organisational level as projects complete or new projects appear.

Section 106 and Community Infrastructure Levy (CIL).

16. The council can enter into a Section 106 (S106) 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.

17. 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.

18. The CIL is a levy which local authorities can 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.

19. A draft charging schedule was published in April 2013, followed by consultation. The council is working towards a 2014 adoption date for its own CIL. The capital programme will be subject to future refresh and pending finalisation of the charging schedule for CIL this may be used to support appropriate schemes.

New Homes Bonus

20. The New Homes Bonus (NHB) is intended to support 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.

21. Payments for NHB amounted to £5.1m in 2012/13, 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.

22. The same level of revenue commitment was at that time assumed in forecasts for future years to 2016/17 and the balance to be allocated to capital. There are, however, changes expected in the financing arrangement for the New Bonus Scheme in 2013/14 and this will be reviewed as part of the future revenue budget setting process.

Contributions from Earmarked Reserves

23. 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 arise at a later date. Three reserves which have relevance for funding the capital programme are outlined below.

24. 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.

25. 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.

26. 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

27. 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.

28. Capital receipts are 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 are subject to pooling arrangements with government, so that the council can repay housing debt.

29. The annual receipts forecast to 2021/22 is between £30-£40m per annum generated by disposals from both general fund and housing and this will be updated regularly based on the latest information available on the disposal programme and market conditions for properties.

30. The disposals programme is subject to ongoing review by officers to mitigate the risk of funding unavailability due to timings or amounts received in year. The capital receipts forecasts together with other sources of funding will be monitored on a regular basis for funding the capital programme. In the event that in-year funding generated by disposals 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.

Capital Grants

31. 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 approximately £47m of grant funding over the remainder of the capital programme.

32. 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 2013/14

33. A number of balances were brought forward from the 2012/13 capital outturn and can be applied in 2013/14 in addition to the resources received in year.

34. In terms of capital receipts, a balance of £29.4m was brought forward from the capital receipts reserve from the 2012/13 outturn position towards funding capital expenditure in 2013/14. As at the end of Quarter 1 2013/14, £6.1m had been received from housing receipts.

35. A grants balance of £98.7m was also brought forward from 2012/13 of which £74.9m relates to S106 funds used to fund both capital and revenue programmes and £23.8m relates to other grants.

36. At the end of Quarter 1 2013/14, £11.2m grant had been received including £7.6m of education related grants and £3.7m secured through S106 agreements.

37. The above resources will be monitored and applied as appropriate to schemes in 2013/14.

Programme position at Quarter 1 2013/14

38. Attached at Appendix A is a summary of the general fund programme position as at Quarter 1 of 2013/14. This shows a total expenditure budget of £342.6m budgeted over the programme from 2013/14 to 2021/22.

39. Attached at Appendix B is a summary of the housing investment programme position as at Quarter 1 of 2013/14. This shows a total expenditure budget of £328.1m over the programme from 2013/14 to 2015/16.

40. Appendix C shows the budget virements and variations arising in quarter 1 of 2013/14.

41. Appendix D shows a more detailed view of the general fund programme on individual projects or groups of projects over the period 2013/14 to 2021/22.

42. This programme position will continue to be monitored and reviewed over the remainder of the financial year and the final outturn position will be reported to cabinet.

Departmental Updates

43. The sections below provide commentary on the budget position by departments for 2013/14.

GENERAL FUND (**APPENDIX A**)

Children’s and Adult Services

44. In summary the capital programme across Children's and Adults Services is £102.5m with a profiled budget of £19.2m for 2013/14 and expenditure incurred of £1.6m as at Quarter 1 2013/14.

Children's Services

45. The revised capital programme for the period 2013/14 to 2021/22 has been increased by the 2013/14 and 2014/15 DfE grants totalling £15.9m resulting in an overall programme of £88.8m. The profiled budget for 2013/14 is £15.8m.

46. The expenditure incurred as at Quarter 1 2013/14 is £1.6m with the majority of

the spend relating to Southwark Park Primary School new build school opening next year. Other areas of significant spend scheduled for 2013/14 will be for school expansions including Lyndhurst.

47. As the plans for delivering the primary expansion programme are being refined, a potential funding gap of £16m is emerging for 2015/16, dependent on government capital grant allocations and potential strategies to meet this funding gap are under consideration

Adults' Services

48. The revised capital programme for the period 2013/14 to 2021/22 has been increased by the 2013/14 and 2014/15 DoH grants totalling £1.7m resulting in an overall programme of £13.7m. The profiled budget for 2013/14 is £3.4m.

49. Expenditure of £8k has been incurred as at Quarter 1 2013/14 on the Southwark Resource Centre. The main areas of capital expenditure scheduled for 2013/14 are the Centre of Excellence and the refurbishment of the Orient Street respite unit.

Southwark Schools for the Future

50. The capital programme for the period 2013/14 to 2021/22 is £47m with a profiled budget of £12.5m for 2013/14.

51. The largest area of spend in 2013/14 will be for the schools at St Michael's and All Angels (SMAA) site which incorporates the new Highshore Special School.

52. The expenditure at Quarter 1 2013/14 is £1.9m of which £1.7m is for SMAA/Highshore construction works.

Finance and Corporate Services

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

54. The departmental capital programme for the period 2013/14 to 2021/22 is £22.0m with a profiled budget of £7.0m for 2013/14. The expenditure incurred as at Quarter 1 2013/14 is £0.4m and the remaining £6.6m spend scheduled to be incurred by the end of 2013/14.

55. The council has engaged a new Information Technology Managed Service supplier which will be delivering a series of core enabling projects to modernise the provision of IT services in the council and the expenditure in 2013/14 is expected to be £5.0m.

56. Facilities management (FM) services are undertaking a comprehensive planned preventative maintenance compliance programme on the fabric of council properties from 2013/14 onwards. The work follows on from an earlier phase where the council undertook Disability Discrimination Act (DDA) works to its front-line premises. It is anticipated that this work will be funded through a

combination of corporate resources and reserves.

Environment & Leisure

57. Environment and leisure department's latest approved capital budget for 2013/14 is £23.9m against the projected expenditure of £21.7m, giving an overall favourable variance of £2.1m to be carried forward into 2014/15.

58. Total approved E&L capital programme and projected spend from 2013/14 to 2021/22 is £89.3m.

Sustainable Services

59. The budget of £2.6m for the current financial year 2013/14 is mainly S106 items and retention sums for the access road contract. The planning related costs which may be payable to planning and highway authorities (LBS and TfL) are conditional on the results of a number of road traffic surveys likely to take place later this year. The financial implications of the outcome of the surveys may not be immediately known and the budgets may have to be held for a while longer. Projections are based on best estimates from planning documents.

60. The remaining budget includes £520k in respect of the S106 obligation to provide an Off-Site Renewable Energy Infrastructure. This will be discharged by the Southwark Heat Network from South East London Combined Heat and Power plant (SELCHP) project which is expected to be operational in the autumn of 2013. Therefore, a budget virement is requested for cabinet approval to transfer £520k to meet the requirements for South Dock Marina. This virement is shown and requested for approval in Appendix C.

Public Realm

61. Cleaner Greener Safer (CGS) forecast for 2013/14 is £2.5m. This is an increase of 30% on the 2012/13 final outturn. This reflects an enhanced focus on delivering these projects.

62. The Non Principal Road (NPR) Programme is forecast to achieve a full spend. Orders will be placed with the contractor for full value by mid July; with the exception of budgets devolved to Community Councils since most areas have deferred decision until October 2013.

63. The Burgess Park BMX track project is on programme to open in August 2013 and the project is expected to be delivered within budget.

64. The next phase of the cemetery strategy has been delivered with the provision of 800 burial spaces at Camberwell old cemetery. Detailed design has commenced on the delivery of the next phase of the strategy with the aim of submitting a planning application later this year to create a further 200 burial spaces at Camberwell new cemetery.

65. Out of £1.1m allocated to fund the upfront capital costs for the new parking enforcement contract, only £850k is now estimated as required. Therefore a budget virement is requested for cabinet approval to transfer the unused £250k

to fund £99k additional costs required for the Livesey building and the remaining £151k towards the South Dock Marina health & safety works. This virement is shown and requested for approval in Appendix C.

66. The asset condition survey completed in March 2013 for South Dock Marina identified urgent decking, pontoons and electrical works to meet Health and Safety requirements. In addition, new shower and lavatory facilities are also required to replace existing equipment in the berth holder facility which is no longer fit for purpose. The latest estimated costs of these works are £771k for which £100k has already been allocated at last capital refresh. It is proposed to fund the remaining £671k from the favourable variances mentioned above in this report and for which virements are sought.

Culture Libraries Learning and Leisure

67. 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 electrical cabling to the pavilion but the pavilion is expected to re-open in summer 2013.

68. 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.

69. Olympic Legacy Fund - This 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. All the projects except Southwark Park Athletics Track (SPAT) are now in their construction phase. This spend has successfully attracted £991k of external funding.

70. Implementation of RFID equipment (Radio Frequency Identification) at Dulwich and Peckham was completed in 2012/13 and two more libraries are scheduled for 2013/14 onwards.

71. Significant investment is being made in Peckham Pulse to address some long standing building issues and to improve the environment for customers. The works will be carried out over two phases. The options details for phase one (2013/14) are being drawn up with Fusion (cafe/reception and spa suite). Air conditioning works will commence later this summer and a communication plan will be implemented prior to the works. The project management procurement for phase two (2014/15) is progressing.

72. There is a potential new occupier for the Livesey building, Treasure House, an educational organisation and ideally they would like to move in during December 2013. To get the building up to a habitable standard, a number of important structural issues including works to the roof, windows, removal of asbestos, and other repairs have to be carried out. The surveyor's report estimates the total cost of these works of around £204k. We currently have £105k available, a sum

realised from the sale of TALIS shares in the last quarter of 2012/13. It is proposed that the remaining £99k be funded from the favourable variance mentioned above.

Community Safety.

73. The CCTV project is expected to be completed by 31 March 2014 within the allocated budget.

Chief Executive's Department

74. The capital budget for the chief executive's department over the period 2013/14 to 2021/22 is £56.4m. This also includes funding confirmed since the 2012/13 outturn report was presented to Cabinet in July 2013 of an additional capital grant allocation of £1.8m funded by Transport for London (TfL). The department is currently forecasting an expenditure of £25m for 2013/14 and £31.4m for the period 2014/15 to 2015/16. These forecasts will be subject to ongoing review throughout the year.

75. The Framework and Implementation team within the planning division has a budget of £3.5m with forecast expenditure of £1.9m for 2013/14 and £1.6m for 2014/15. The following public realm and streetscape improvement projects are on site;

- The Nunhead Outer London Fund (OLF) schemes, partly funded by GLA grant are progressing with the pop-up shop now let to the first tenant.
- The bridge lighting scheme is completed and the festival programme finalised.
- The green consultation is progressing well and the shop front improvements have been submitted for planning permission.

76. The division is currently undertaking the final snagging of Legible London way finding system in Bankside and Bermondsey to agree the final account. St James' Churchyard in the Bermondsey Spa programme was completed and a dedication service held. Also part of the Bermondsey Spa programme, Abbey Street Tunnel works are progressing and are due for completion in Quarter 1.

77. Schemes due to start on site at the beginning of Quarter 2 include Lamb Walk public realm improvements and Whites Ground skate park refurbishment. Other projects currently under development for commencement later in 2013/14 include Mint Street Park improvements, Lavington and Ewer Streets public realm, Alice Street redesign and resurfacing and St John's Churchyard play area improvements.

78. The planning and transport division has a budget of £16.2m with forecast expenditure of £6.3m in 2013/14, and the balance of £9.9m profiled for the period 2014/15 to 2015/16. In addition to various transport improvements projects, other key projects include Gateway to Peckham and Revitalise5 Camberwell, a £10.5m scheme to transform public realm and provide a new library in Camberwell.

79. Works have recently commenced on the installation of lifts at Queens Road Peckham Station, which are due to be completed by the end of the year and will be complemented by a new plaza. Works are nearing completion on a number of transport improvement projects including East Walworth and Faraday Green Links and Riverside traffic management. Funding has been agreed in principle through the Mayor's Air Quality Fund to deliver air quality improvements in the borough.

80. The Regeneration division has a budget of £36.7m with forecast expenditure of £16.7m in 2013/14 and £20m for the period 2014/15 to 2015/16. Key projects within the regeneration division include the construction of a new leisure centre at Elephant & Castle, public realm improvement schemes in Bermondsey and the Office Accommodation programme, amongst others.

81. The council's office accommodation programme is progressing with the development of a generic office fit out at Queens Road 2. The site will deliver 86 workstations spread over four floors. Enabling works on site commenced on 1 July 2013 with the main construction programmed to commence on 22 July 2013. Practical completion is scheduled for the end of Nov 2013.

82. Negotiations for a lease for a third site at Queens Road (Queens Road 3) 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 2013 with full occupation successfully achieved on 31 May 2013. The full operation of 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 which commenced on 1 June 2013.

Housing General Fund

83. The total budgets for the Housing General Fund capital programme for the period 2013/14 to 2021/22 is £25.4m and the profiled budgeted expenditure for 2013/14 is £8.7m

Housing Renewal

84. 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.

85. 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.

86. Demand for disabled facilities grant remains high, with a profiled budget of £1.3m in 2013/14 including £340k of commitments. Other changes have been

agreed to budget profiles to reflect demand across various grant types.

87. An overall sum of £4.6m 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 £1.7m 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.

88. In 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. Currently the home repair grant has slow spend in the first quarter but it is anticipated that as the move towards loan assistance comes into force, the budgets will be vired accordingly.

Travellers' Sites

89. Work has started on the Springtide Travellers' site, progressing well and is due to be completed in quarter 4.

Housing Investment Programme

90. The Housing Investment Programme consists of a series of works to Housing Revenue Account properties, which are detailed in Appendix B. Progress on this programme is summarised as follows;

Warm Dry and Safe (WDS)

91. Despite a delayed start and the mutual conclusion of two of the partnering contracts, spend targets for the 2012/13 WDS schemes was achieved and a spend target of £80m has been set for 2013/14 as the programme continues to accelerate. Spend in quarter 1 has been steady with £7m spent. The programme is still forecasting to achieve the spend target with many of the 2013/14 schemes and prior year, brought forward schemes due to start later in the year. Accurate forecasting has proved difficult as the extent of works required to meet the WDS standard is generally higher than the provision made in the programme.

92. The schemes originally forming part of the 2011/12 programme are now all on site, although some of the work on the Hawkstone Estate is phased to begin later in the year. The majority of schemes are due to complete this financial year. The 2011/12 programme is behind schedule mainly due to the delayed decision by Lands Tribunal in December 2011 and replacing of Wates and Breyer (partnering contractors) following the mutual conclusion of those contracts. The replacement of the contractors will mean that that the programme will incur additional overall costs.

93. The majority of schemes from the 2012/13 programme are on site. Due to the

mutual conclusion of the Breyer contract, the Brandon estate will start this financial year. The Dickens estate previously under Wates will also be on site in the current financial year. The 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. The actual expenditure on these schemes is expected to rise.

94. The entire 2013/14 programme is expected on site this year with the exception of the WDS works at Aylesbury, due to the phasing of the regeneration programme. Acorn is also on hold but will follow on from completion of regeneration heating works.

95. £14.9m of works from future years have been brought forward to start in 2013/14 using the Decent Homes Backlog funding.

96. The trend of schemes requiring more resources than the stock condition survey estimate is expected to continue, so the contingency in the programme is expected to be inadequate to complete the programme. The 18 October 2011 Cabinet report only allowed for £29m of backlog funding towards the Housing Investment Programme. In June 2013 Cabinet approved the additional £48.8m of backlog funding that was not accounted for in the original resources planned for the programme, to be added to the investment assumptions for the delivery of the WDS programme in addition to the current resources. This additional budget will be added and profiled across the years once the scheme costs are clarified and confirmed. A further report in December 2013 will formally request for any additional resources, for the completion of the WDS programme.

97. The £4m individual heating budget is showing spend of £694k at the end of quarter 1. However, in terms of delivery the programme is ahead of schedule but there is a slight lag in capitalisation and is currently forecast to meet budget. The remaining WDS district heating schemes are expected to be on site this year. The 2015/16 WDS district heating schemes are being brought forward to start in early 2014/15.

98. All high rise blocks with a substantial risk from the fire risk assessments have been completed as part of the Fire Risk Assessment (FRA) Programme. Majority of the higher moderate risk high rise blocks are also complete except for works being completed to coincide with the WDS programme. Gloucester Grove and Netley have also been added to the programme and are 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. A paper is being prepared for approval for the additional resources required.

99. Financial year 2013/14 began with 1,451 homes categorised as 'non-decent' meaning a decency level of 56.5%. The overall level of decent homes at the end of quarter 1 was 56.9%. This is only a small rise and is due to the low number of completions in the first quarter.

100. As more schemes are on site and completing in 2013/14, there is expected to be

a larger net rise in the levels of homes meeting the decency standard this year.

101. Cabinet previously approved additional resources of £22.9m to the High Investment Needs Estate of additional works to Hawkstone (£4.7m), Four Squares (£14.1m) and Abbeyfield (£4.2m) of which only £18.4m had been previously profiled in the Housing Investment Programme. The current re-profiled budgets as at Quarter 1 2013/14 reflect the total budgets agreed by cabinet previously and this is reflected in Appendix C.

Housing Regeneration

102. On 19 March 2013, cabinet approved the increase in budget for East Dulwich Regeneration by a further £1.3m as part of the proposal to fund the new build on the Gatebeck and Southdown sites, drying room conversions and environmental works. The increased budgets has been profiled across the years in line with the expected spend and is reflected in Appendix C.

Other Programmes

103. On 14 May 2013, cabinet approved an additional £4m budget in the housing investment programme for the upgrading of the existing communal heating systems and to improve energy efficiency of the heating system. Three main measures proposed as part of this project were new boiler burners, new Building Energy Management System (BEMS) and Dirt Separation. This one- off cost is being funded from the ring-fenced heating account reserve held within the Housing Revenue Account. The £4m budget is profiled to be incurred across 2013/14 and 2014/15 and this is reflected in Appendix C.

Resource Re-profiling

104. The budgets across the capital programme have been profiled based on the latest information as at Quarter 1 2013/14. However, 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. Some of the forecasts will require further re-profiling as the programme will be subject to on-going 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.

Community impact statement

105. This report describes the current capital position on the council's capital programme .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.

106. 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.

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

Resource implications

108. This report forms part of the council's budget framework and outlines the current position on the capital programme.

109. Staffing resources are generally contained within the council's current establishments and where additional or specialist resources are needed these will be subject to separate reports.

Legal implications

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

Financial implications

111. This report fully explores the financial implications of the capital programme for the general fund and the housing investment programme at Quarter 1 of 2013/14. The report presents the capital programme over the period 2013/14 to 2021/22 where predicted resources are sufficient to meet anticipated spend.

Consultation

112. 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

113. 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.

114. 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
Housing Investment Programme - 18 October 2011 (Cabinet)	http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=3816&Ver=4	Jay Nair, Senior Finance Manager, Finance and Corporate Services
East Dulwich regeneration funding – 19 March 2013 (Cabinet)	http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4252&Ver=4	Jay Nair, Senior Finance Manager, Finance and Corporate Services
Housing Investment Programme (Heating Systems) - 14 May 2013 (Cabinet)	http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4254&Ver=4	Jay Nair, Senior Finance Manager, Finance and Corporate Services
2012/13 Capital Outturn report - 16 July 2013 (Cabinet)	http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4549&Ver=4	Jay Nair, Senior Finance Manager, Finance and Corporate Services

APPENDICES

No.	Title
Appendix A	General fund summary monitoring position
Appendix B	Housing investment programme summary monitoring position
Appendix C	Budget virements and variations at quarter 1 2013/14
Appendix D	General fund programme detail

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, Finance and Corporate Services		
Version	Final		
Dated	6 September 2013		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		**Comments Sought**	**Comments Included**
Director of Legal Services		Yes	Yes
Strategic Director for Finance and Corporate Services.		N/A	N/A
Cabinet Member		Yes	Yes
Date final report sent to Constitutional Team			6 September 2013