

APPENDIX 1

Item No. 11.	Classification: Open	Date: 10 February 2015	Meeting Name: Cabinet
Report title:		Quarter 3 Capital Monitoring for 2014/15 and Capital Programme Refresh for 2014/15-2023/24	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Finance, Strategy and Performance	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, STRATEGY AND PERFORMANCE

This quarter's capital monitor provides, as usual, an update and progress report on the delivery of our £2 billion 10 year capital programme. Within the report you will find an update from each department covering their projects.

This quarter we are also making a number of variations to the programme and I'd like to highlight two of these.

The largest value variation is to approve £54m of expenditure to deliver phase 1b of our direct delivery council house building programme which will deliver 191 new council homes. This expenditure will be funded by a combination of s106 affordable housing funding, GLA grant and right to buy receipts.

Another important change is to approve an additional £15.8m for the primary expansion programme bringing the total value of this programme to £106.5m reflecting the additional expansions now planned. This programme is delivering new and expanded schools with high quality facilities providing 2,631 additional primary places across the borough by September 2016.

RECOMMENDATIONS

That cabinet:

1. Notes the general fund capital programme for the period 2014/15 to 2023/24 as at Quarter 3 2014/15, as detailed in Appendix A and D.
2. Notes the housing investment programme for the period 2014/15 to 2021/22 as at Quarter 3 2014/15, as detailed in Appendix B.
3. Approve the variation to the housing investment programme of £63.1m including £54m for Housing Direct Delivery Programme, details of which are reflected in the departmental narratives and Appendix C.
4. Approve the variation to the general fund capital programme of £75.9m, including £44.4m for children's services and £21m for the acquisition of properties in order to progress regeneration projects. Details are reflected in the

departmental narratives and Appendix C.

5. Approve the virements and variations (including those mentioned in recommendations 3 & 4) to the general fund and housing investment capital programme as detailed in Appendix C.
6. Approve the re-profiling of the budgets in line with projected expenditure for 2014/15 and future years for both the general fund and housing investment programmes as detailed in Appendix A, B and D and note the resources available for the capital programme based on latest information available at Quarter 3 2014/15.
7. Notes the use of New Home Bonus (NHB) in funding the capital programme as previously agreed by cabinet on 21 June 2011 has now been committed to the revenue budgets as per the Policy and Resources Strategy 2015/16 to 2017/18 Revenue Budget report of 27 January 2015 and this resource will not be available in the following years to fund capital expenditure.

BACKGROUND INFORMATION

8. The scale of the capital programme being managed within the council is immense and with a total forecast spend of over £2 billion 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.
9. The quarter 2 2014/15 capital monitor report indicated that expenditure of £22.5m had been incurred on the general fund capital programme against a budget of £83.1m. This represented a spend of 27.1% to budget as at quarter 2 and a favourable variance of £12.9m was projected against the budget for the year at that point.
10. The quarter 2 2014/15 capital monitor report also reflected a spend of £50.9m on the Housing Investment Capital programme against a budget of £213.2m which represented a spend 23.8% against the budget for the year.
11. 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.
12. The capital programme is subject to on-going review by service managers and the quarter 2 2014/15 capital monitor report to cabinet approved budgets to be re-profiled in line with the projections for 2014/15 and future years. The report also noted that a further detailed re-profiling of budgets will be undertaken at quarter 3 2014/15 based on latest information.
13. This report sets out the latest re-profiled budget and forecast outturn position for 2014/15 for the General Fund and the Housing Investment Programme (HIP).

KEY ISSUES FOR CONSIDERATION

General Fund Capital Spend

14. The quarter 3 capital monitor report indicates that expenditure of £41.3m incurred at quarter 3 against a re-profiled budget of £82m for 2014/15 showing a spend of 50.3% to budget on the general fund capital programme. The summary position and the programme details by departments are reflected in Appendices A and D respectively.

Housing Investment Programme Spend

15. The total re-profiled budgets on the Housing Investment Programme for 2014/15 is £176.9m and the expenditure incurred at quarter 3 is £90.7m, indicating a spend of 51.2% to budget. 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 £90m in 2014/15. Details of the schemes and budgets within the Housing Investment Programme are reflected in Appendix B.

Resource implications

16. 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.
17. 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 quarterly monitors to assess income to date, forecasts and changes.
18. 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.
19. 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

20. The 2014/15 quarter 1 report to cabinet explained Section 106 (S106) agreements, otherwise known as planning obligations, and the Community Infrastructure Levy (CIL) as two of the sources for funding the capital programme.
21. A draft charging schedule was published in April 2013 for the CIL, followed by consultation. The council is working towards April 2015 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

22. The 2014/15 quarter 1 report explained the use of New Home Bonus (NHB) in funding the council's capital programme. The cabinet decision of 21 June 2011 agreed that all NHB not committed to the revenue budget should be allocated to corporate resources to fund future capital expenditure.
23. However, the council's budget setting process for 2014/15 and the recent Policy and Resources Strategy 2015/16 to 2017/18 Revenue Budget report of 27 January 2015 committed the full NHB amounts to revenue and this resource will not be available in the following years to fund capital expenditure. The resulting impact on the capital programme will be reflected in the capital monitoring reports.

Contributions from Earmarked Reserves

24. The quarter 1 report explained the use of the three reserves which have relevance for funding the capital programme and these are outlined below:
 - 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 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.
 - 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.

Capital Receipts

25. The council operates a ten-year disposals programme and the planned disposals generate capital receipts which the council can use as a funding source to finance capital expenditure.
26. 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 to ensure adequate funding for 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

27. The council uses of a range of grants to fund capital expenditure and the grants tend to be programme or project specific with each grant having some form of conditions.
28. Grants may be provided as a sole funding source, or as one of several funding sources depending on project requirements. In each case, funding conditions are met to demonstrate that grants have been applied for the purposes given and audit trails are maintained.

Resourcing to Quarter 3 2014/15

29. As at quarter 3 2014/15, capital receipts of £37m and £25m had been received from the general fund and housing receipts respectively for the financial year 2014/15.
30. At the end of quarter 3 2014/15, £43.8m other income had been received including £7.8m of education related grants and £25.7m secured through S106 agreements.
31. The above resources will be monitored and applied as appropriate to schemes in 2014/15.

Programme position at Quarter 3 2014/15

32. Attached at Appendix A is a summary of the general fund programme position as at quarter 3 of 2014/15. This shows a total expenditure budget of £585.6m budgeted over the programme from 2014/15 to 2023/24.
33. Attached at Appendix B is a summary of the housing investment programme position as at quarter 3 of 2014/15. This shows a total expenditure budget of £1,538.4m over the programme from 2014/15 to 2021/22.
34. Appendix C shows the budget virements and variations arising in quarter 3 of 2014/15 for approval by cabinet.
35. Appendix D shows a more detailed view of the general fund programme on individual projects or groups of projects over the period 2014/15 to 2023/24.
36. 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

37. The sections below provide commentary on the budget position by departments for 2014/15.

GENERAL FUND (APPENDIX A)

Children's and Adult Services

38. In summary, the capital programme across Children's and Adults' Services in quarter 2 was £109.9m, with an annual 2014/15 revised budget of £17.4m. Budget variations of £44.4m are requested at quarter 3 for formal approval by cabinet. The variations are mainly due to the £15.8m expected shortfall on the council's primary expansion programme; £12.6m secured funding and £16m expected funding. Budget variations arising from secured funding are mainly from DfE basic need grant for school places of £5.7m and £6m for 2015/16 and 2016/17 respectively. Also further funding of £16m expected of £5m DfE maintenance grants, £5m free school grants and £6m S106 contributions. The revised budgets for the Children's and Adults' services total capital programme including the above budget variation of £44.4m is now £154.3m. The expenditure incurred this year to date is £11.2m against an in-year forecast of £17.7m.
39. Additional school places and increased scope for works as agreed by cabinet in July 2014 along with detailed site plans and construction inflation has resulted in a programme shortfall of £15.8m mentioned above. As mentioned above, the council is expecting £16m in the next 2 years towards the overall expenditure and is currently exploring all funding options towards the overall costs of the programme. The council is currently negotiating a contribution from the Education Funding Agency (EFA) for additional primary places at The Belham free school, and from academies for expansion at other non-maintained schools. DfE maintenance grant for 2015/16 onwards has not been announced and the £16m includes an allowance at the lower end of expectations. CIL/s106 is available now, subject to planning committee approval. Future CIL/s106 receipts will reduce the need for the use of corporate resources and will be kept under review.

Children's Services

40. The revised capital programme budget for the period 2014/15 to 2023/24 is now £134.4m with a budget of £17.1m for 2014/15.
41. The changes to the estimated programme from July 2013 include the cabinet approved changes in July 2014 additional primary school expansions to meet the projected continued need for additional places. Following a review of school place demand and detailed scheme development, the Gloucester expansion scheme has been cancelled and the expansion of Phoenix School from 2FE to 4FE added to the programme. Further improvements are envisaged for Gloucester in 2016/17, following a development of the site and this will be subject to a separate process and further consultation. The original cost estimates were drawn up from the condition and capacity surveys undertaken throughout the council's school estate in 2012. The current designs between RIBA stage B/C and stage D designs are site specific incorporating educational design advice and stakeholder consultation.
42. There has been a detailed process of scheme development, with a rigorous

approach to budget management, whilst at the same time ensuring that the objectives of the schemes are met. These are to both add school places to meet basic need and to take the opportunity to address deficiencies in accommodation, especially where these improvements will benefit the environment for teaching and learning. All the primary expansion schemes are in the procurement phase and are subject to detailed scheme development. The contractors are expected to produce schemes to the agreed budgets.

43. The expenditure at quarter 3 is £11.1m. The main areas of expenditure are for the September 2014 temporary expansions, rebuild of Southwark Park Primary and permanent expansion at Bessemer Grange and Dulwich Wood, various maintenance projects.

Adults' Services

44. The revised capital programme for 2014/15 to 2023/24 is £19.9m with a budget of £600k for 2014/15.
45. To date £100k has been incurred and the forecast for the year is £600k. The main areas of capital investment during this financial year include major refurbishment of Alma Grove, Bowley Close and Grosvenor Terrace properties.

Southwark Schools for the Future

46. The revised programme is £43.3m, following the budget realignment process across the services. The revised annual budget for 2014/15 is £5.0m and the forecast expenditure of the programme delivery for 2014/15 is £5.0m.
47. Expenditure of £4.1m has been incurred at quarter 3 and these include expenditure on the St Michael's and All Angels/Highshore (SMAAH) new school and the University Engineering Academy South Bank (UEASB). In 2014/15, the main areas of change are SMAAH with a lease payment for Highshore expected in 2015/16 and Southwark Inclusive Learning Service (SILS) KS3/4 now reprogrammed for 2015/16. The refurbishment of the new UEASB opened in September 2014.

Finance and Corporate Services

48. The capital programme of this department focuses on two key areas: information technology infrastructure projects and premises improvements to council buildings.
49. The department has a revised capital programme of £63.2m as at quarter 3 2014/15. The revised budget for 2014/15 is £8.5m with expenditure of £6.5m recorded at the end of quarter 3.
50. The council is currently delivering a number of projects to modernise the provision of IT services. Resources to fund this investment have been consolidated into a single IT investment scheme, drawn from previously approved resources set aside for IT planned maintenance, core enabling and infrastructure. In addition to consolidating and re-profiling these resources, the extent of the investment required has been reviewed and it is recognised that additional investment of £5m is required to the programme, averaging £500k per annum up to 2023/24..This budget variation is reflected in Appendix C for

cabinet approval and the re-profiled budgets for the years is shown in Appendix D.

51. The project to implement Corelogic which is an electronic social care system replacing CareFirst commenced in 2014/15 and spend is expected to be just under £1m at £977k.
52. The capital programme for corporate facilities management (CFM) includes an annual £2.75m budget for planned preventative maintenance together with a £10.25m total budget to address future facilities management capital requirements. These budgets reflect the anticipated cost of completing a comprehensive planned preventative maintenance and compliance programme for the assets and fabric of the operational estate. The forecast spend on planned preventative maintenance for 2014/15 is £700k. While this is significantly less than the initial profiled budget, this reflects the nature of the expenditure and the fact the plan will develop as decisions are taken on the estate in line with the accommodation and asset management strategies to preserve both its utility and asset value over a period of at least ten years. To support this process, a programme of new asset and condition data for the operational estate is near completion which will inform a fully developed 1 to 3 year programme starting in 2015/16 and provide an indicative programme for the remaining years. Therefore it is expected that the current budget profile will be updated as this more detailed programme is developed.
53. The council has largely completed its programme of work to its front line council buildings to ensure that they meet the requirements of the Disability Discrimination Act. This monitor seeks approval that the remaining resource for this programme be redirected within CFM to the property works programme, to support the on going completion of related remedial works and associated capital works as they arise across the operational estate and this is reflected in Appendix C for cabinet approval.
54. In March 2013, the Walworth Road Town Hall was substantially damaged by fire and since that time, work has been undertaken to secure, protect and prepare this historic listed building for the longer term aim of reinstatement and delivery of a new facility. Initially, costs for this stage were estimated at £2.7m and reported in the 2013/14 capital outturn report of which £1.7m was incurred in 2013/14. The total costs to complete this work are currently estimated at £4.1m, an increase of £1.4m. Budget variation of £800k was agreed at quarter 2 and the latest review of projected costs indicates an additional budget variation of £600k which is reflected in Appendix C for cabinet approval. While plans are developed for the longer term design and re-instatement of the building, the council is able to continue with certain works on site during this initial phase that will be incorporated into the design and reinstatement. The latest spend forecast for 2014/15 and 2015/16 is £1.4m and £1m respectively and budgets have been re-profiled in line with these projections.
55. The overall expenditure forecast for the department has been updated based on the latest information and this report requests budgets to be re-profiled into future years in line with projected spend.

Environment & Leisure

Summary

56. The total value of the departmental capital programme for the period 2014/15 to 2023/24 is £148.2m. The Departmental Capital Review Board continues to scrutinise the forecasts of all projects and their profiling at end of each quarter to check their robustness and arrive at a more realistic estimate of expenditure for the year based on latest trend of spend. As a result, the projected spend for the year is estimated to be around £24m for 2014/15 and the budget has been re-profiled to reflect this position. However, the department seeks approval for capital bids of £1.5m and £1.1m for Southwark Park Development and Castle Leisure Centre respectively to be funded from corporate resources and these are detailed below within the departmental narratives. The revised budget including the above requested budget variation is now £150.8m.
57. The progress of major schemes and details of the bids are outlined below.

Public Realm – Council funded projects

58. The non principal road programme is on target to spend its full allocation for the year of £5.4m. However, the spend forecast for 2014/15 for Cleaner Greener Safer (CGS) projects has been revised downwards by £645k to £1.5m to reflect that expenditure on some LIP funded projects will not be delivered in the current year mainly due to staff turnover. There have also been fewer than expected claims made by 3rd parties for CGS grants. Any project underspends will be reallocated as part of 2015/16 programme.
59. The principal road lighting programme for 2014/15 of £549k is now nearing completion with over 400 lanterns replaced with energy efficient LEDs. Energy savings are in excess of 65% of previous load.
60. The new Cycling Strategy is on track to be adopted in March 2015. Therefore most of the expenditure on cycling infrastructure fund will not be incurred until 2015/16.
61. The implementation of the cemetery strategy continues to create further burial spaces and make associated infrastructure improvements. The cemetery burial strategy spend forecast has been reduced from £1.1m to £464k as a result of longer than planned community engagement on the new burial areas. The consultations will be completed by March 2015 and works start in 2015/16. The works will also include refurbishment of the cemetery lodges and replacement of cremators.
62. The spend in 2014/15 for the Parks Infrastructure & Investment Programme and the Burgess Park Revitalisation Project are largely on track, with the delivery of a new BBQ area and first phase of the consultation of the refreshed master plan for the park completed. Work is on going to re-profile the spend for Burgess Park across the lifetime of the programme based on latest estimates.
63. Southwark Park – Plans have been developed with the Friends to deliver the community aspirations for the central area of Southwark Park and will be ready for consultation in the 4th quarter. The purpose of this development will be to

bring an underused area of land back into the park and to create fit for purpose facilities in the centre of the park. The cost of work is currently estimated at £2m and it is proposed to fund £500k of this from the existing Parks 'Infrastructure and Investment' funding stream and a capital bid is submitted for the remaining £1.5m as part of the refresh of the capital programme.

64. In other parks urgent health and safety works relating to structures and lighting have been completed and as a result, the forecast spend is higher than budget and this is being managed through re-profiling.
65. The refurbishment of South Dock Marina toilets and showers was completed during this quarter. It is proposed that the £12k additional costs incurred for the disposal of the original toilet block be covered by other South Dock Marina capital budgets. Appendix C reflects this request for a virement.

Public Realm – Externally funded projects

66. Pothole Repair Fund – The council was successful in securing £260k from the Pothole Fund created by the central government to repair damage to the local road network. In accordance with the government criteria, the funding has been allocated to the resurfacing of twelve roads within the Borough. The programmed works complement the capital funded Non Principal Road resurfacing programme and will be completed by March 2015.
67. The Dulwich and Herne Hill Flood Alleviation Scheme will be completed in February 2015. It aims to protect over 200 properties from surface water flooding and another 80 from sewer flooding. It is a partnership scheme led by Southwark Council in collaboration with Thames Water Utilities Ltd (TWUL) and supported by the Environment Agency (EA). The scheme's capital cost is £3.2m with the EA contributing £1.2m while TWUL is contributing £2m. In addition EA will provide £300k to the council as a commuted sum, which will be set aside for the future maintenance of the infrastructure.

Culture, Libraries, Learning & Leisure

68. Legacy Investment Fund Phase 2 – Out of the £1.5m allocation, funding for the following projects was approved by the cabinet member for Public Health, Parks and Leisure in November 2014:

	£000
Southwark Sports Ground (SSG)	150
Homestall Road Sports Ground	650
Peckham Rye changing rooms	250
Sub total - Projects within the department	1,050
St Paul's Sports ground	100
Herne Hill Velodrome	250

Active Spectators	50
Total allocated	1,450

69. Appendix C of this report requests approval to vire £1,050k of the Fund's budget to reflect this allocation. £50k of the legacy fund is as yet unallocated and has been identified as contingency with the possibility of allocating to projects at a later date.
70. The £500k refurbishment of Peckham Library will commence in 2015/16 and will include works to the lifts and roof.
71. Work to bring Southwark Athletics Centre back into use has commenced following selection of a contractor in October 2014. The budgets have been re-profiled to reflect the phased implementation of the project.
72. A phased approach is being taken to investing £2.3m in Peckham Pulse. A new boiler and new air conditioning systems for the gym were installed in June 2014. Phase two will include works on the spa suite, café and reception areas, all of which need upgrading or replacing, and these will be delivered in 2015/16.
73. The Castle Leisure Centre external structure and fabric are almost complete and the contractor is now concentrating on internal fabrics and finishes. A growth bid of £1.1m is submitted as part of capital refresh to fund the fit out of the centre. This will cover the cost of purchasing new fitness and other equipment.
74. Seven Islands pool pipe and filter valves replacement works will be completed by end of March 2015 along with other smaller works with a total cost of £300k. Phase two of the capital investment (£1.7m) will take place in 2015/16 and will include disabled access to the upper floor. Project management for these works are currently being arranged.
75. Investment in self service technology is a key component of the libraries modernisation programme and installation of such equipment is essential in supporting the savings agreed in the libraries review. RFID (Radio Frequency Identification) has been implemented at Blue Anchor Library. Equipment for RFID for the new Camberwell library has been purchased in December. The temporary library at Elephant and Castle opened in September 2014 complete with RFID.
76. The Thomas Calton Centre refurbishment of £550k has been delayed due to planning application issues. The project team has now been assembled and work will commence during winter 2014/15. The work is to address longstanding issues to the roof and fabric of the building.

Community Safety & Enforcement

77. The Housing CCTV refresh programme covered CCTV systems on 19 housing estates that fell within the priority crime areas identified by crime analysis data prepared in August 2012. The installations have been completed and the unit has undertaken a formal programme of Testing and Certification effectively bringing this phase to a close. The programme was delivered on budget.

Housing Renewal

78. The area renewal programme is now reaching its end with the only outstanding project being the home security initiative which is now underway. The Brayards Road Improvement Zone group repair scheme is in progress and will focus on works to a maximum of 81 street properties of mixed tenures. The project consultants have been appointed and the repair works element of the project went out to tender with contractors with a closing date in January 2015. The works are expected to start on site in March 2015 with completion in middle of 2015/16 (works are expected to last 20 weeks). The funding is from an amalgamation of residual renewal area budgets. Therefore, a virement is requested to move the residual budgets to a code specifically set up for Brayards. Appendix C sets out this virement and also uses this opportunity to amalgamate all grants and loans into one scheme.

Environmental Services

79. In respect of the Integrated Waste Solutions Programme, there remains a provision of £2m. £1.5m of this is a contingency fund, needed in case TfL request road infrastructure improvement works due to an increase in traffic resulting from the new waste facility just off Old Kent Road (Red Route). They have this ability as part of the planning conditions placed on the development. As it is now over two years since the facility became operational, the demand is unlikely to materialise but TfL has until end of 2019 to call upon Southwark to carry out improvement works depending when the road survey is carried out. This provision has been re-profiled and moved to 2016/17 to reflect the earliest year if any expenditure will take place.
80. The remaining £500k budget is earmarked for development of the Devonshire Road site (part of the Waste Facility development), to build a permanent home for Fleet services and a new, fit-for-purpose salt store for winter maintenance, releasing Latona Road for housing development. This is expected to take place during 2015/16.
81. The installation of a photovoltaic array on the roof of the Old Kent Road integrated waste facility is in progress and is expected to be completed by February 2015. The array is expected to produce a projected 659,000 kWh per year, initially generating £87k per year for the Council through Government subsidies and recharging Veolia for the electricity they use. This will rise to £161k later in the lifetime of the array. It will also contribute projected carbon savings of 346 tCO₂ per annum.
82. From the 2014/15 carbon reduction investment allocation, a programme is currently underway to identify and complete pipework insulation improvements at various sites across the operational estate. The projected cost for this programme is £40k to £50k. The remainder of the allocation will be used to maximise the potential of the Old Kent Road PV array by expanding the number of solar panels being installed.

Chief Executive's Department

83. The capital budget for the department over the period 2014/15 to 2023/24 is £170.4m of which £63m relates to the S106 and Community Infrastructure levy

(CIL) budgets to deliver strategic transport improvements projects in Elephant and Castle as part of the wider regeneration of the area. Budget variation of £21m and £1.025m are also included in this report for cabinet approval and the details are provided below.

Regeneration projects

84. The council maintains an extensive property portfolio for service delivery and investment purposes, and as priorities change the portfolio needs to respond accordingly. Direct delivery of new housing is a good example of a changing approach to service delivery. Opportunities arise from time to time to acquire properties to enhance the existing portfolio. An example of such a situation is when an adjoining property in the council's ownership comes to the market and merging the two properties creates a more valuable asset than the separate ownerships. Budget variation of £1m was agreed by cabinet at quarter 2 2014/15 but a budget of £4m for 2014/15 and an annual budget provision of £2m for following years up to 2023/24 is required in order to progress the regeneration projects into future years. Therefore a budget variation of £21m is included in Appendix C for approval by cabinet.

Nunhead Community Centre

85. The original budget for Nunhead Community Centre was agreed in 2010 and the project has evolved over the three years in reaction to local community input and aspirations for the community centre and linking the remaining site B opposite, to provide direct delivery council housing. Over this period there has been significant build cost inflation caused by an increase in construction and a shortage of skills and materials. The increase in build costs however should be considered in the context of rising house prices and consequently land values. The remainder of the site was successfully sold in December 2014 for more than the budgeted costs and the receipts will also include contributions towards S106 and Mayoral CIL funds. The sale is due immediately following completion of the community centre.

Strategic Transport Improvements

86. The council is committed to the strategic transport improvements projects in the Elephant and Castle to unlock and support the regeneration of the area including the provision of over 4,000 new homes and new fit for purpose underground station. The provision of improved public transport and public realm is an integral part of the regeneration of the area and is an objective that the council has supported for many years.

Departmental Summary and Updates on Programmes

87. In 2014/15, the department is currently forecasting an expenditure of £24.6m, a downward movement from quarter 2 forecast. The reduction in forecast follows a rigorous and robust review of planned expenditure in line with recent changes in project delivery plans. This review is on-going to ensure forecast is as accurate, robust and close to outturn position as possible.
88. Performance in 2014/15 has seen expenditure of £6.5m incurred at the end of quarter 3. Work is continuing on the delivery of key regeneration projects such as Revitalize Camberwell, Gateway to Peckham, the construction of new

Nunhead Community Centre and The Castle Centre (formerly Elephant & Castle Leisure Centre) amongst other projects

89. The council's investment in Camberwell is well underway with the construction of a new Library and Plaza. The new building is water tight, with all external windows in place and green roof completed. The heating is installed and other internal works such as electrical installations are progressing. Works to the Plaza started in December and includes resurfacing, soft landscaping and an improved lighting scheme. The new Camberwell Library is scheduled to open to the public in spring 2015.
90. The next project to be delivered within the Revitalise5 is the improvements to Camberwell Green. It is expected that the scheme will achieve permission early in the year and work is expected to start in summer 2015.
91. The Planning Projects team is working to progress a range of projects across the borough and is making arrangements with various council departments for project delivery across a range of S106 and capital bid programmes.
92. The team has completed assessments for the Love Shopping capital programme (former ILRE) for a number of key shopping areas and high streets on the boundaries of the council's regeneration areas. A report is currently being prepared to make recommendations as to which areas should be prioritised for investment during 2015/16.
93. Planning Projects led on behalf of the council a bid to the Mayors High Street Fund worth £740k which will pull together and complement existing council programmes for Walworth Road, Shop Front Programmes, East Street and also commence a public realm strategy for Old Kent Road opportunity area. A response is expected from the GLA in the coming months.
94. The team has completed a number of projects on site in the previous quarter including Winchester Palace Gardens; Queens Road shop front works and Quentin House environmental works. A number of projects are being progressed with a view to going on site in the coming months. These include Fair Street Sunken Garden, Brayards Road Improvements, Queens Road environmental improvements and support for both Abbey Street Centre and the Dockland Settlement.
95. The delivery of the TfL funded transport programme (LIP) and related projects is behind schedule, with a number of schemes still at the design and consultation stage. This is primarily due to pressure on resources in the Public Realm team resulting from an increased workload, in particular as a result of additional projects associated with the Mayor's Vision for Cycling. A review of the LIP programme has been carried out to identify delivery risks and, as far as possible, these will be mitigated by compressing the delivery programme and amending project scope as necessary.
96. The Camberwell Town Centre streets project, largely funded by TfL under Major Schemes programme, is progressing. This project is still at feasibility stage following TfL's decision to require a revised traffic model before approving the scheme. The new modelling work will take place in quarter 4 with detailed design to follow in 2015/16. Meanwhile the first of the Pocket Spaces projects around the town centre will be implemented at Datchelor Place, starting towards the end

of quarter 4 with completion in quarter 1 of 2015/16.

97. The Chief Executive's department continues to deliver various projects aimed at improving road safety, encouraging greener and sustainable modes of transport in the borough as well as supporting commercial viability of local shopping areas. An update on these will be provided in subsequent monitoring reports to cabinet.

Housing General Fund

98. The total budget for the Housing General Fund for the period 2014/15 to 2015/16 is £3.4m and the latest spend for 2014/15 is £1.9m.
99. Springtide Close traveller site is the last of Southwark's four managed traveller sites to be refurbished with the help of the CLG's 2004 Gypsy and Traveller site grant funding. The final phase of the scheme is on site and is due to be complete in the next couple of months. This scheme was slightly delayed by issues on the site which are now resolved.
100. Ilderton Road travellers' site is awaiting the outcome of lengthy negotiations between Southwark Legal Services and Network Rail over responsibility for the repairs required to make the embankment wall safe. It is likely that responsibility will be shared, certainly in terms of costs. This has serious health and safety implications and budgets have been retained for the expected expenditure.
101. There is an Affordable Housing Fund agreement with Guinness Partnership for the development at the Elephant known as Stead Street. The funding of this particular scheme is part of a long-term commitment in the Elephant & Castle area and 84 units on the scheme will be affordable housing units of which 18 will be directly financed by Southwark's Affordable Housing Fund (AHF) and will be available at social rent, with Southwark having 100% nomination rights to the initial lets. The £2.6m from the Affordable Housing Fund is financed from developers' contributions from other developments and the donor schemes are located in the Borough, Bankside and Walworth Community Council area. The scheme has been delayed but has now started on site, with practical completion now expected (in terms of the affordable housing units and release of the second tranche of S.106 funding) in May 2016. This is later than initially anticipated in the AFH funding agreement Guinness signed with Southwark.

Housing Investment Programme (APPENDIX B)

Budget Summary and 2014/15 Forecast

102. The total budget of the Housing Investment Programme for the period 2014/15 to 2023/24 has increased by £63.1M to a revised value of £1,538.4m.
103. The increase in budgets is mainly due to the capital expenditure agreed by the Housing Investment Board and works at Elephant and Castle area. Other budget increases, amongst others, include the grant awarded by the GLA towards the works carried out at Willow Walk as part of the council's Direct Delivery Housing schemes and expenditure approved by Planning Committee towards the Hidden Homes programme at Tapley, Nickleby & Dombey House.
104. Details of all budget variation and virements are reflected in appendix C for approval by cabinet.

105. The total projected spend for 2014/15 is £176.9m and budgets have been re-profiled for 2014/15 and future years in line with these projections.
106. The section below provides a detailed commentary on the major areas of activity across the various capital projects within the Housing Investment Programme.

HRA: Warm Dry and Safe (WDS)

107. An increased spend target of £90m has been set for 2014/15. As with previous years, spend in quarter 3 is steady and is expected to continue to accelerate through the year to meet the spend target. Spend to quarter 3 is over £53m. Accurate long term forecasting has proved challenging as the extent of works required to meet the WDS standard is generally higher than the provision originally made in the programme. Total WDS spend across the years for the programme is over £237m at quarter 3 against a current budget of £383m.
108. The 2 year programme is now complete. A total original provision of £76m was made for the two year programme, carry over schemes and the original Fire Risk Assessment (FRA) works within the original WDS budget. The final outturn expected to be around £83m for delivering these schemes (though additional FRA works have been undertaken).
109. All the WDS 2012 major works schemes are completed or on site. The agreed costs for the schemes are higher than estimated in the stock condition survey and the WDS contingency fund has been used to meet the budget shortfall. £41.4m has so far been committed against an original WDS allocation of £14.5m for these schemes.
110. Eight of the WDS 2013 major works schemes are committed. The remaining schemes to be committed are Tustin (due to the works required), Aylesbury Phase 2 (following phase 1), a package of street properties and Acorn (following regeneration works). £30.1m has so far been committed against an original WDS allocation of £14.0m for the committed schemes.
111. Some WDS 2014 major works schemes works were brought forward using the Decent Homes Backlog funding. Currently £59.8m has been committed against an original overall WDS allocation of £37.6m for all the WDS 2014. The remaining WDS 2014 major works schemes are expected to be committed in 2014/15 or early 2015/16 along with WDS 2015 programme. There are a few exceptions such as D'Eynsford where external works will be delayed pending heating works.
112. The trend of schemes requiring more resources than the stock condition survey estimate has continued, meaning that in quarter 4, all the WDS budget will be effectively committed with further resources required to complete the remaining programme.
113. Following the council plan to deliver a kitchens and bathroom programme, resources will need to be assessed following the Savills report later in quarter 4.
114. There are a number of potential funding streams that can contribute to or reduce the commitment for extra resources for this programme including 'risk pots' in committed projects not being utilised, under spends on projects and

programmed works being assessed as not requiring works following detailed surveys. Following a bid to the GLA for Decent Homes Backlog Funding in 2015/16, the GLA has awarded Southwark £53m funding subject to council delivering the programme and meeting the terms of the bid.

115. A capital bid to complete the remaining WDS programme is expected to be submitted in quarter 1 of 2015/16 for approval.
116. Both the Four Squares and Hawkstone WDS/HINE schemes have started on site, with the internals completing at Four Squares. The main Abbeyfield scheme (Maydew) is now due to start on site in 2015/16. The HINE allocation for Four Squares was increased to £28.7m following structural issues and the scope of works required to complete the scheme.
117. All the remaining WDS district heating schemes programmed up to 2013/14 are now on site. The majority of programmed 2015/16 WDS district heating schemes are being brought forward to start in 2014/15. The on-going individual and plant boiler programmes require an estimated £5.2m of additional resources to the end of 2015/16 due to the investment required due to the age of the boiler systems. This will form part of a capital bid in quarter 1 of 2015/16 for approval.
118. All high rise blocks with a substantial risk from the fire risk assessments have been completed as part of the FRA Programme. All the higher moderate risk high rise blocks are also complete except for works being completed to coincide the WDS programme. £2.3m has been allocated to complete substantial medium rise FRA works being completed in 2014/15 alongside planned WDS works. Sidmouth has also been added to the programme.
119. At the start of 2014/15 the decency level stood at 56.88%. The decency level at the end of quarter 3 was 60.45%.

Aylesbury PPM

120. Spend in quarter 3 is £2.4m with a further £0.2m spend is expected on the Aylesbury PPM budget in 2014/15.

East Dulwich Estate regeneration Programme

121. Drying Room Conversions - This consists of the conversion of 18 drying rooms in two phases for private sale. Phase 1 was completed in January with all 9 units created now sold. Phase 2 commenced in Feb 2014 and completed in August 2014 and 4 of the units are on the market. There is also an opportunity for convert a further 7 drying rooms. Feasibility studies for these are underway and further funding will be sought in quarter 4.
122. Badminton House - Refurbishment of an 11 unit block with a drying room conversion making a total of 12 units of which 3 will be for private sale and the remaining 9 for social rent. Works started in July 2014 and are due to complete in June 2015.
123. Environmental Works – The environmental works programme has been separated from the health and safety works that are currently underway on the estate. However, the health and safety works have taken up a much larger proportion of the budget than initially anticipated, so officers are working with

residents to scale back the environmental proposals but more funding may be required. A planning condition for the scheme was that officers undertake a parking survey to confirm the parking requirement on the estate. This survey has been completed and a report sent to planning to discharge the condition.

Elmington Estate Regeneration comprises of the following elements:

124. The refurbishment work Drayton House, Brisbane Street, Proctor House, Flatman House and Langland House have been completed.
125. The rehousing of tenants to achieve vacant possession for new build is still on track for Phase 3 with 3 tenants and 18 leaseholders remaining. The referencing exercise for the CPO is underway and it is expected that the order will be enforced by Summer 2015 if there are no objections.
126. Landscaping works are currently underway on the Benhill Road Nature Garden and is due to complete in February 2015.

Wooddene Regeneration Project

127. Diversion of pipework running across the Wooddene site was completed in December 2014.
128. Re-provision of a heat and hot water plant within the Wooddene energy centre to serve the Acorn Estate: Consultants have been appointed and contractor procurement is underway. Start on site is expected in July 2015 and works should complete by June 2016.

Elephant and Castle Regeneration project

129. Works are required for the demolition of the Castle Day centre and the construction of a new building on the site for the Crossways United Reformed Church. The existing Crossways Church is located on the Heygate estate which is to be developed by Lend Lease. Relocation of the church is therefore necessary in order to provide vacant possession of the Heygate estate and to ensure the council meets its contractual obligation under the terms of the Regeneration Agreement. The budget for this project was originally identified within the costs set aside for Heygate acquisitions and the budget variation shown in Appendix C for cabinet approval reflects the latest re-profiled costs for these works.
130. The council is expecting a payment of £16.5m from Lend Lease in the next few weeks for the reimbursement of costs incurred on the demolition of the Heygate estate. Furthermore, the council is also expecting additional receipts of approximately £50m from Lend Lease in the next few years for the Heygate site as part of the regeneration agreement, of which £5.6m becomes payable by the end of January 2015. These expected receipts have been incorporated within the Housing Investment Programme.

Direct Delivery Programme

131. Hidden Homes Refurbishment. 3 of the 11 Hidden Homes units on site last quarter were completed in October and are now occupied by tenants. The remaining eight situated on the Dickens Estate and Lindley Estate are on

schedule to complete before March 2015. This element of the Direct Delivery Programme is being funded through a mix of S106 funding of approximately £700k which has been approved at Planning Committee and GLA Building the Pipeline grant of £227,960.

132. New Build – Phase 1 of the Direct Delivery programme comprising of 9 sites is currently in various stages of development. It is split into 2 major areas of work “Phase 1A – Willow Walk” and “Phase 1B – Other Works”.
133. Phase 1A Willow Walk which will deliver 21 general needs housing and a 54 short stay accommodation unit, started on site in February 2014 with a scheduled completion date in early 2015. A budget increase of £1.2m is included in Appendix C for approval relating to the temporary accommodation element of the works which is being funded from the GLA grant “Building the Pipeline”.
134. Phase 1B – On 26 November 2014 the Housing Investment Board approved £54m to forward fund phase 1B of the Direct Delivery programme and this is reflected in Appendix C for cabinet approval. It is expected that these works are to be funded from a mixture of resources that includes GLA grant (Building the Pipeline), S106 affordable housing funding, housing receipts and the reserved part of the Right To Buy (RTB) receipts set aside for new build.
135. Main construction works of phase 1B are scheduled to start at Long Lane, Masterman House, Clifton Estate, Gatebeck and Southdown on the East Dulwich Estate, Cator Street and Nunhead Green site B before March 2015. Initial works will start on the remaining site at Sumner Road in the new financial year.

Summary Position

136. The provisional estimated cost of phase 1A and 1B is £71m. To date a claim of approximately £1m has been submitted against the GLA grant of “Building the Pipeline” for payment. Further claims will be submitted once the additional schemes outlined above have started on site.

Risks on Council’s Development and Refurbishment Projects

137. The current capital programmes across all departments relating to development and refurbishment projects are subject to an emerging risk. This relates to the significant overheating of the construction market, particularly in London, in terms of main contractor services, subcontractor capacity and supply of materials. This is impacting directly on both time and cost for projects currently underway. While this is largely out of the council’s control the impact on cost and time of current market conditions needs to be given full consideration in both the feasibility and development stages of emerging projects.

Resource Re-profiling

138. The budgets across the capital programme were re-profiled at quarter 2 2014/15 based on the information available at that time. 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. The capital programme has been subject to on-going review by service managers and the budgets have been re-profiled at quarter 3 based on

the latest information available on procurement and contract management issues. The current re-profiled budgets will be used to identify the variances on programme budgets against the 2014/15 outturn position.

Community impact statement

139. 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.
140. Each project within the capital programme will be considered with regard to its impact on age; disability; faith/religion; gender; race; ethnicity; sexual orientation; gender reassignment; marriage and civil partnership; pregnancy and maternity.
141. The council's capital programme is designed to deliver projects of value to local people.

Resource implications

142. This report forms part of the council's budget framework and outlines the current position on the capital programme.
143. 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

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

Financial implications

145. This report fully explores the financial implications of the capital programme for the general fund and the housing investment programme at quarter 3 of 2014/15. The report also presents an updated position on the refreshed capital programme over the period 2014/15 to 2023/24 on the predicted resources and expenditure across this period.

Consultation

146. 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

147. 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.
148. 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
Quarter 1 Capital Monitoring for 2014/15 and Capital Programme Refresh for 2014/15-2023/24	Southwark Council Finance and corporate services 160 Tooley Street London SE1 2QH	Jay Nair, Senior Finance Manager, Finance and Corporate Services
Quarter 2 Capital Monitoring for 2014/15 and Capital Programme Refresh for 2014/15-2023/24		
Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4862&Ver=4		
Link: http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4864&Ver=4		

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 3 2014/15
Appendix D	General fund programme detail

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Strategy and Performance		
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	30 January 2015		
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		30 January 2015	