

Item No. 17.	Classification: Open	Date: 21 July 2015	Meeting Name: Cabinet
Report title:		Quarterly Capital Monitoring Outturn Report for 2014/15 and Capital Programme Refresh for 2014/15-2023/24	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Fiona Colley, Finance, Modernisation and Performance	

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

The 2014-15 outturn capital monitor provides, as usual, an update and progress report on the delivery of our £2 billion 10 year capital programme. Within the financial year we invested £78m into our general fund assets and £168m into council housing. The general fund investment included rebuilding and expanding schools, upgrading IT infrastructure and council premises and investing in our parks, highways, libraries and leisure centres. The principle elements of the council housing investment programme are our Warm, Dry and Safe works, fire safety measures and upgrades of T&RA Halls.

2015-16 will see the establishment of a new stream of funding for capital projects – the Southwark Community Infrastructure Levy. The report sets out the process by which the council will identify suitable projects to fund with the strategic and local elements of this new income stream.

Within the report you will also find an update from each department covering their projects and details of virements and variations to the programme.

RECOMMENDATIONS

That cabinet:

1. Notes the outturn position for 2014/15 for the general fund capital programme including the overall position of the programme for the period 2014/15 to 2023/24 as detailed in appendix A and D.
2. Notes the outturn position for 2014/15 for the housing investment programme, including the overall position of the programme for the period 2014/15 to 2023/24, 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 budgets in line with the forecast expenditure and resources in the new financial year 2015/16 and future years in light of the 2014/15 outturn position for both the general fund and housing investment programmes as reflected in Appendices A, B and D and note further re-profiling will be required during 2015/16 based on more up to date information available at that time.

5. Agree the process for identifying projects for which Community Infrastructure Levy (CIL) may be used as all or partial funding as detailed in paragraphs 106-118.

BACKGROUND INFORMATION

6. On 22 July 2014, the 2013/14 capital outturn report was presented to the cabinet. This reported the capital outturn position at the end of 2013/14 and approved the council's capital programme up to 2023/24. At that time, the total value of the general fund programme stood at £509.8m and the housing investment programme stood at £1,075.8m
7. On 25 March 2015, council assembly agreed the recommendations of the 10 February 2015 cabinet for a refreshed general fund capital programme for the period 2014/15 to 2023/24 of £585.6m and the housing investment programme for the period 2014/15 to 2021/22 of £1,538.4m.
8. The scale of the capital programme is immense and with a total forecast spend of over £2billion; 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. 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.
10. This report sets out the outturn position for 2014/15 for the General Fund and the Housing Investment Programme (HIP).

KEY ISSUES FOR CONSIDERATION

2014/15 Outturn Position

11. The table below shows the 2014/15 outturn for the General Fund and the Housing Investment Programme against the budgeted expenditure. There was a variation of £7.2m against the General Fund programme and a variation of £8.3m on the Housing Investment Programme. These variations are largely explained by the re-profiling of budgets across a range of several schemes on departmental programme activities as a result of the complexities of procuring contracts and works across a programme of this magnitude and the practicalities of contract management and monitoring.

Department	2014/15 Budget £m	2014/15 Outturn £m	2014/15 Variance £m
Children's and Adults Care Services	17,733	18,259	526
Southwark Schools for the Future	4,609	4,584	-25
Finance and Corporate Services	8,577	8,205	-372
Environment	24,037	22,252	-1,785
Housing General Fund	2,260	1,975	-285
Chief Executive	27,805	22,498	-5,307
Total General Fund	85,021	77,773	-7,248
Housing Investment Programme	176,925	168,597	-8,328

12. The total General Fund departmental expenditure for 2014/15 was 77.7m against a revised budget of £85m and this final outturn is higher than the 2013/14 outturn figure of £63.4m
13. The variation of expenditure to budget in 2013/14 was 36% and this has reduced significantly to 8.5% in 2014/15 as a result of robust monitoring and improved profiling of budgets during the year on the expected expenditure for 2014/15 compared to the previous year.
14. The total Housing Investment Programme expenditure for 2014/15 was £168.6m against a budget of £176.9m and this is a 42% increase in the expenditure figure of £118.1m for 2013/14. The variation of expenditure to budget in 2013/14 was 6% and this has reduced slightly to just over 4% in 2014/15. This illustrates the increased and accelerated investments being made on the Warm, Dry and Safe programmes within the Housing Investment Capital Programme and the benefits of accurate programming and profiling of budgets being achieved despite the increased spend.

GENERAL FUND (APPENDIX A)

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

Children's and Adults' Services

16. In summary, the capital programme across Children's and Adults Services for the period 2014/15 to 2023/24 is £154.5m which includes funded variation of £200,000 at quarter 4 as reflected in Appendix C. The annual budget for 2014/15 was £17.7m and the final expenditure incurred was £18.2m, resulting in an overall unfavourable variance of £500,000 which will be re-profiled against the budget for future years.

Children's Services

17. The revised capital programme for 2014/15 to 2023/24 is £134.6m. The annual budget for 2014/15 is £17.1m. The final expenditure incurred for 2014/15 was £17.8m resulting in an unfavourable variance of £700k which is mainly due to the budget profiling issue on Southwark Park Primary school where some of the milestones were achieved ahead of the project schedule. In light of the outturn position for 2014/15, the budgets for future years will be reviewed and re-profiled in line with the projected expenditure for 2015/16 and following years.
18. The main areas of expenditure for 2014/15 have been:
 - £4.2m for Southwark Park Primary School new build school completed 2014/15;
 - £5.2m on the major permanent expansion at Lyndhurst and Bessemer Grange and Dulwich Wood Schools which are due to complete 2015/16;
 - £1.2m for September 2014 temporary expansions at Albion, Grange, Ivydale, Keyworth, St James; and St Mary Magdalene;
 - £3.6m advanced services for the 2014-16 permanent expansion programme; and
 - £3.6m for schools maintenance, free healthy school meals (FHSM), low carbon schools and youth centre refurbishments.
19. Some of the budgets within the departmental capital programme have been re-profiled in line with revised expenditure projections and will require further updating during 2015/16 based on more up to date information.

Adults' Services

20. The capital programme for the period 2014/15 to 2023/24 is £19.9m. The annual budget for 2014/15 is £600k and the final expenditure incurred for 2013/14 was £500k resulting in a favourable variance of £100k which will be re-profiled to 2015/16. The main works in 2014/15 included major refurbishments at Orient Street and Brandon Trust properties and the expansion of the Telecare service. The favourable variance is due to re-profiling of works at some Brandon Trust properties.

Southwark Schools for the Future

21. The capital programme for the period 2014/15 to 2023/24 is £42.9m and the revised annual budget for 2014/15 was £4.6 with the total expenditure for 2014/15 was also £4.6m.
22. The largest area of spend totalling £2.0m in 2014/15 was incurred on the completed schools at Ark All Saints Academy site. This was previously known as St Michael's and All Angels and incorporates the new Highshore Special School. Other significant spend incurred was on schools ICT of £1.4m and the £800k refresh of the site for the new University Engineering Academy South Bank which opened in September 2014.

Finance and Corporate Services

23. The capital programme of this department focuses on two key areas: Information technology infrastructure projects and premises-related improvements to council buildings. The total departmental capital programme stands at £63.2m.
24. The total spend for the department in 2014/15 is £8.2m against a budget of £8.6m. This compares to forecast spend of £8.5m as at the end of quarter 3 against a budget of £8.6m. The main variances are due to the re-profiling of expenditure required in corporate facilities management for the capital works relating to the ten year programme of preventative and planned maintenance and renewal to the building fabric and services for 362 buildings.
25. There is also a ten year programme that covers the improvement and replacement of IT infrastructure and networking in order to ensure the reliability and availability of key systems and to minimise disruption where components fail. There were some variances in project expenditure against the initial budget in some areas but these budgets will re-profiled in line with projected expenditure across the years and all projects are expected to be delivered within the overall budget.

Environment & Leisure

Summary

26. The total value of the departmental capital programme for the period 2014/15 to 2023/24 is £150m. The latest capital outturn for 2014/15 is £22.3m against the final budget of £24m, giving a favourable variance of £1.8m which has been re-profiled to future years.
27. The forecasts of all projects in the departmental capital programme for 2015/16 and future years were reviewed for their robustness and their budgets were re-profiled, as appropriate.
28. The progress of major schemes are outlined below.

Public Realm

Council funded projects

29. The Non Principal road programme is £2.3m over budget due to increased capacity in the delivery team and changes in the construction specification to meet higher performance requirements for footways and carriageways. The programme will be adjusted in 2015/16 to allow for these budget pressures in order to deliver the programme within budget for its agreed three year programme 2015-17.
30. The Cleaner Greener Safer (CGS) programme spent 105% of the revised Q3 forecast mainly due to improved resources, delivering 211 projects and making up some of the backlog on CGS programme spend.
31. The Principal Road lighting programme for 2014/15 of £549,000 is now completed at a cost of £554,000 with over 400 lanterns replaced with energy

efficient LEDs. Energy savings are in excess of 65% of previous load.

32. The new Cycling Strategy is now to be adopted in June 2015. Therefore, most of the expenditure on cycling infrastructure fund will not be incurred until 2015/16.
33. The implementation of the cemetery strategy continues to create further burial spaces and make associated infrastructure improvements. The cemetery burial strategy spend forecast was reduced from £1.1m to £464,000 as a result of longer than planned community engagement on the new burial areas. Only 77% of the revised budget was spent, due to minor delays with the lodge refurbishment works and with the installation of temporary toilets at Camberwell Old Cemetery. Signage, pathways and preparatory works have not been progressed this year because all non essential works were put on hold to review the programme budget. Major expenditure is expected next year with the completion of the lodge refurbishment works, replacement of cremators and the implementation of works at Area D1.
34. The parks programme has been subject to a comprehensive review which identified the need for tighter project and programme management. The recommendations of the review are being implemented.
35. Significant progress was made on the Burgess Park project (phase 3), with BBQ area improvements, CCTV installation and play area improvements. The masterplan review was started and largely completed and included a large scale and successful community engagement exercise. The masterplan review will shape a large part of the next phase of investment in the park. The 'Southern Entrance' project was also progressed. This project is linked to the acquisition of land at the top of New Church Road and will see a transformation of this area of the park. Designs for the additional toilet provision that was so needed in the park have been progressed and planning permission was granted for the Chumleigh Gardens toilets. An extra £100,000 was secured to tackle the drainage issues in the park through successful negotiations with the designers of the drainage scheme.
36. The Parks Infrastructure and Investment improvements have included urgent health and safety works such as lighting improvements, wall repairs and drainage work. Funding from this stream has been used to continue the work to develop plans for the central area of Southwark Park. Planning permission for new tennis courts at Southwark Park was granted.
37. There is a proposed allocation of £1m from the Parks Infrastructure and Investment project to the wider Peckham Rye revitalisation project to realise the fairer future promise to deliver a new play area. Therefore, a budget virement of £1m is requested from E&L department to the Chief Executive department. Details of the required budget adjustments on this scheme are reflected in Appendix C for cabinet approval.
38. Construction began on the Mint Street (greening, removing dead end roads) and Pasley Park (new entrance, planting) projects and these schemes are progressing well.
39. Progress has been made on a number of other capital projects with budgets that are held elsewhere in the Council such as the Elephant and Castle Parks Programme (completion of St Mary's Churchyard Phase 1 play area project) and

the delivery of Pullens Park consultation and designs. In addition, an extensive consultation has taken place to develop plans for Nelsons Square (this is funded by S106 held by the Regeneration team).

40. The renewal of the South Dock Marina toilets and showers were completed during this quarter. This year has seen the completion of new decking and electrics throughout the marina. Next year, we will continue with the health and safety works which will include the complete refurbishment of the lock gates, dams and dock walls.

Externally funded projects

41. Pothole Repair Fund – The Council was successful in securing £260k from the Pothole Fund created by central government to repair damage to the local road network. In accordance with the government criteria, the funding was allocated to the resurfacing of twelve roads within the Borough. The programmed works complement the capital funded Non Principal Road resurfacing programme and are all now completed. Details have been published in the website in accordance with the grant conditions
42. The Herne Hill Flood Alleviation Scheme was completed in February 2015. It protects over 200 properties from surface water flooding and another 80 from sewer flooding. This partnership scheme was led by Southwark Council in collaboration with Thames Water Utilities Ltd (TWUL) and supported by the Environment Agency (EA). The scheme's capital cost was £3.2m with £1.2m contribution from the Environment Agency (EA) and £2m contribution from TWUL. In addition, the Environment Agency will provide £300k to the council as a commuted sum to be set aside for the future maintenance of the infrastructure. The project has been awarded national recognition for its approach to partnership working and is shortlisted for a national award.

Culture, Libraries, Learning & Leisure

43. The £600,000 refurbishment of Peckham Library commenced with scaffolding in place and lift cars under construction.
44. Work to bring Southwark Athletics Centre back into use has commenced following the selection of a contractor in October 2014. The remains of the old, unusable track have been removed and most of the planning conditions have now been implemented. The budgets have been re-profiled to reflect the phased implementation of the project.
45. A phased approach is being taken to investing £2.3m in Peckham Pulse. Works were undertaken during the year including repairs and re-painting in the pool hall where a new air handling unit was also being installed. These works were completed in May 2015.
46. Seven Islands pool pipe and filter valves replacement works have been delayed due to the discovery of asbestos and will now be completed in the first quarter of 2015/16. External painting and repairs to the brick work have been completed and the toilets and dance studio were refurbished during the last quarter.
47. The Thomas Calton Centre refurbishment project is now underway. Drawings for the manufacture of the windows have been signed off and scaffolding has been

erected around the relevant parts of the building. Window sill cleaning is underway and the new windows were delivered in May 2015. First flat roof is being prepared for repair and the stones have been swept over ready for felt to be laid. Roof repairs are planned to be completed in June 2015. The refurbishment contractor has estimated project completion to be August 2015.

48. Thomas Calton Centre ICT project has started. Total re-cabling of the old student network has completed. WIFI is now available throughout the building – in halls and classrooms. Survey has been completed for the decommissioning of the existing kit – including all student network PCs, printers and an old server. Capita are working on the building of the new network machines.

Community Safety & Enforcement

49. Following the 2010 strategy for the future development of the borough's CCTV, the Council has to date, invested £1.9m to improve the CCTV coverage in the borough. Successful outcomes include upgrading the CCTV control room from analogue to a digital system, improving the quality of recordings and the speed of recovering viral footage; a comprehensive network refresh programme that has improved our existing cameras on housing estates and the transmission capability in the borough as well as investments in 41 re-deployable (rapid response) cameras which are used in areas affected by crime and anti social behaviour.
50. In total there are now 309 cameras across the public realm and housing estates and there has been a 16% increase in the number of arrests from crime recordings in 2014/15 compared to 2013/14. The programme has so far been delivered on budget.

Housing Renewal

51. The area renewal programme is now reaching its end and will focus on progressing the Brayards Road Improvement Zone group repair scheme. The project will provide health and safety repair works and environmental improvements to a maximum of 81 street properties of mixed tenures. Following the tender process, contractors have been selected and are currently awaiting formal appointment. The works are expected to start on site in May 2015 with completion in October 2015 (works are expected to last 26 weeks).
52. There is a favourable budget variance on Disabled Facilities Grants (DFG) budget due to lower than target completions in the year. There were 75 DFG completions (94% of annual target). There are a number of cases which are effectively complete but yet to be closed and have therefore been excluded from the 2014/15 figures.

Environmental Services

53. The installation of a photovoltaic array on the roof of the Old Kent Road integrated waste facility was completed in March 2015 ahead of schedule, and the array is now successfully generating electricity. This renewable generation project was delivered at an initial investment cost of £793,000 of which £181,000 came from the department's annual carbon reduction fund of £250,000. The array is expected to generate a projected 659,000 kWh of electricity per year, initially producing £87,000 per year for the Council through Government

subsidies and recharging Veolia for the electricity they use. This will rise to £161,000 later in the lifetime of the array. The projected payback period for the initial investment is 9 years. It will also contribute to projected carbon savings of 346 tCO₂ per annum.

54. Elsewhere in the operational stock, a further £39,000 was invested from the department's carbon reduction budget during 2014/15 into improving pipework insulation across 21 council sites. This programme is now complete and will deliver projected gas consumption savings of 7.5% at each affected site. This adds up to a projected combined carbon reduction of 65t CO₂ per annum or in financial terms combined bill savings of £10.5k per annum.

Chief Executive's Department

55. The Chief Executive's department consists of six main project areas, namely transport planning, planning projects, regeneration north, regeneration south, regeneration capital and property services. Though distinct, the project areas are collectively responsible for leading the council's overall vision of transforming the borough's landscape through the delivery of high profile regeneration programmes.
56. The total programme budget for the department over the 2014/15 to 2023/24 period has increased from £170.5m to £188.5m since quarter 3 monitor was presented to cabinet. The budget increase of £18m is due to a combination of additional funding from TfL, GLA grants and s106 funds secured in the last quarter of 2014/15 financial year.
57. In 2014/15, the department incurred expenditure of £22.5m against full year budget of £27.8m and a quarter 3 forecast of £24.8m. This outturn figure of £22.5m represents 90% of projected expenditure at quarter 3 and a positive variance of £5.3m against full year budget. This variance has been re-profiled into future years in line with the current project delivery plans.
58. The planning division (transport planning and planning projects) has a combined budget of £29.2m funded largely by TfL grant, s106 and capital receipts. In 2014/15, a total sum of £6.9m was expended to deliver various public realm, open spaces and transport improvement projects across the borough.
59. The Mint Street Park project went on site during 2014/15 as did the final phase of Quentin House works, Fair St sunken garden; and Lavington and Great Guildford Street Improvements.
60. Shop front improvements at Queens Road are nearing completion and the long desired works at Winchester Palace have completed on site. Repairs to lighting improvements in Bankside have also been undertaken. A works contract has also been let for the triangle site on Tooley Street which will be completed on site by quarter 3 of 2015/16.
61. Southwark received grant of £4m from Transport for London (TfL) in the financial year 2014/15. The capital investment was largely used to develop transport improvements schemes which will be completed in 2015/16. These include substantial neighbourhood improvements in Peckham focusing on Brayards Road, Bellenden Road, Coleman Road, Wells Way, Southampton Way and Bournemouth Road.

62. The Regeneration division (Regen North, Regen South, Regen Capital and Others) have a combined budget of £159m largely funded by S106, capital receipts and external grants.
63. In 2014/15, the division incurred expenditure of £15.6m to progress the delivery of key regeneration projects which include the construction of ultra-modern library in Camberwell as part of Revitalise Camberwell; new leisure centre in Elephant and Castle as part of the wider regeneration of the area and a new community centre in Nunhead. The completion of these high profile regeneration projects are scheduled for 2015/16 and an update on these and other regeneration projects will be provided in the next quarterly report to cabinet.

Housing General Fund

64. The total expenditure incurred in 2014/15 was £1.9m against a budget of £2.2m. Commentary on the schemes within the Housing General Fund is provided below.
65. Springtide - The refurbishment of the Gypsy & Traveller site completed this year, which completed the refurbishment programme of the four Gypsy and Traveller sites in the borough.
66. Ilderton Rd G&T - Negotiations are on-going with Network rail concerning the stability works to the embankment. Budgets are being retained for the expected expenditure in 15/16.
67. Waddling St - The Guinness housing scheme started on site in 2014/15. This is the final E&C replacement housing scheme.

Housing Investment Programme (APPENDIX B)

68. The total value of the Housing Investment Capital Programme for the period 2014/15 to 2021/22 is £1,538.4m including the capital bids of £4.524m agreed recently at Housing Investment Board. These bids are reflected in Appendix C for cabinet approval. The final outturn for 2014/15 was £168.6m against a budget of £176.9m indicating a favourable variance of £8.3m which will be re-profiled into 2015/16. The section below provides commentary on the major areas of activity across the various capital projects within the Housing Investment Programme.

Warm Dry and Safe

69. A total of £99m was spent in 2014/15 on warm dry and safe against an initial programme budget of £92.4m for the year. Next year the programme is forecasting to spend £200.6m with projects now being committed against the £985m capital budget allocation agreed by cabinet in quarter 3 of 2013/14 for the housing stock programme. 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. The WDS programme will be fully committed and a 90% decency target has been set for March 2016.
70. 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 is expected to be around £82m for delivering these schemes.

71. 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 the original WDS allocation of £14.6m for these schemes. The remaining three schemes are expected to complete early in 2015/16.
72. Eight of the WDS 2013 major works schemes are committed, with 4 achieving practical completion. 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). £26.6m has so far been committed against the original WDS allocation of £10.6m for the committed schemes. The overall original WDS 2013 major schemes allocation was £30.8m including some brought forward blocks being delivered with these schemes but excluding contingency.
73. Some WDS 2014 major works schemes works were brought forward using the Decent Homes Backlog funding. £95m has been committed against the original overall WDS allocation of £37.6m for all the WDS 2014. One of the remaining two WDS 2014 major works schemes is expected to be committed in 2015/16 with the other scheme on hold pending heating works.
74. Over £40m of the WDS 2015 major works schemes were committed at the end of 2014/15 with the majority of the remaining schemes expected to be committed by quarter 2 of 2015/16. This means the majority of the programme will be fully committed by quarter 2 of 2015/16.
75. The trend of schemes requiring more resources than the stock condition survey estimate has continued, meaning that the existing WDS budget is effectively committed with resources now being allocated from the £985m housing stock programme budget allocation to complete the programme.
76. Following the manifesto commitment to deliver a kitchens and bathroom programme, a package of works was put together to be delivered alongside the major works programme for the year. Estimated costs of £186.3m have been included in the capital programme for 2015/16 but will be revised during the year following more detailed surveys and programming.
77. The additional HINE works for both the Four Squares and Hawkstone projects continue on site. 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.
78. There are a number of potential funding streams that can contribute to or reduce the commitment for extra resources for this programme. A successful bid of £53m was submitted for Decent Homes Backlog funding in 2015/16 and this has been added to the funding assumptions. Further to this, 'risk pots' in committed projects not being utilised and under spends on projects will mean reduced costs on committed projects. In addition, there are also sales agreed for some HINE

schemes as part of the original cabinet approvals which will contribute towards the costs.

79. All the remaining WDS district heating schemes programmed up to 2013/14 are now on site. The remaining programmed 2015/16 WDS district heating schemes are now expected to be committed during 2015/16.
80. 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 risks of high rise blocks are also complete except for works that are being completed to coincide with the WDS programme. £2.3m has been allocated to complete substantial medium rise FRA works and these will also be completed alongside the planned 2015/16 WDS works. Sidmouth has also been added to the FRA programme.
81. 2,173 homes fell into non-decency at the start of 2014/15 meaning the Decency level fell from 62.66% at 2013/14 year end to 56.88% at the start of 2014/15. The decency level at the end of the year was 65.3%. A 90% decency target has been set for March 2016.

Regeneration Schemes 2014/15

11,000 New Homes Programme

Hidden Homes – refurbishment

82. Eleven Hidden Homes comprising of 1, 2 and 3 bed units were completed this year. This element of the Direct Delivery Programme was funded through a mixture of sources including S106 funding and a grant from the GLA “Building the Pipeline”.

New Build – Phase 1

83. 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”.

Phase 1A – Willow Walk

84. Willow Walk will be the first newly built homes delivered as a result of this programme. This scheme will deliver 21 general needs housing and a 54 short stay accommodation unit, both of which are scheduled to complete by June 2015. These units are being funded through a mixture of GLA grant funding, S106 Affordable housing fund and capital receipts.

Phase 1B – Other Works

85. Phase 1B consists of seven sites, these are Long Lane, Masterman House, Clifton Estate, Gatebeck, Southdown on the East Dulwich Estate, Cator Street and Nunhead Green site B which started in January 2015. These works are due to complete in between January and September 2016. Enabling works at Sumner Road has also commenced with the main works due to commence in early 2016.

86. The estimated cost of the works to these 7 sites is approximately £42.3m excluding Sumner Road. These schemes will be funded from various funding streams; £19m will be sought from S106 Affordable Housing Fund. The balance of £23.3m will be funded from a combination of other resources including GLA grant (Building the Pipeline) £1.9m, £650k from sales, £8.7m from the reserved part of the RTB receipts set aside for new build and £12.05m from other capital receipts.

Cash Incentive Scheme

87. The 2014/15 Cash Incentive Scheme budget was £490k and spend at the year end was £142k. The number of applications has soared and the council has been successful in making an additional bid to the DCLG for grant under their Right to Buy Social Mobility Fund to address both the substantial waiting list and increase grant levels to counter the RTB. The amount awarded is £2.25m. A capital bid to increase the Cash Incentive Grant Scheme budget for 2015/16 from council resources was agreed by the Housing Investment Board recently and is reflected in Appendix C for cabinet approval.
88. The Hardship Repurchase Budget of £500k was not utilised in 2014/15... Home owner interest in the scheme has been minimal, although there are currently two cases that are likely to reach completion in the first quarter of 2015/16. The budget will be re-profiled into 2015/16 to facilitate these two 'buybacks', one of which is an urgent mortgage rescue case. Any residual budget from this allocation will be reviewed at the end of 2015/16.

Tenant & Resident Halls

89. In 2012 a capital sum of £2.1m was established for the hall portfolio within the Housing Investment 5-year programme. A further £200k was added from revenue to the capital sum over the next 5 years to address the history of lack of investment which produced a total capital budget of £3.1m over the next five years.
90. The capital programme on this area commenced in 2013 and now approaching the end of the second year of the 5 year programme. In addition to the original capital sum, a further £2m was allocated for Energy Efficiency Improvements which is being used on a case by case basis and will, mainly target improvements such as double glazing, boiler upgrades, warm roofs and LED lighting (when it is considered cost effective). Investigations are underway to find more innovative methods for Energy Efficiency measures.
91. The following halls have been completed or nearing completion:

Hall	Phase
Penrose	Phase 1/1A
Glebe	Phase 1/1A
Consort	Phase 1/1A
Astley and Cooper	Phase 1/1A
Brimtonroy	Phase 1/1A
Nelson	Phase 1/1A
Buchan	Phase 1/1A
Bells Garden	Phase 1/1A

Hall	Phase
Rockingham	Phase 1/1A
Queensborough	Phase 1/1A
Silverlock	Phase 1/1A
Unwin & Friary	Phase 1/1A
Brandon 3	Phase 1/1A
Millpond	Phase 1/1A
Pelier	Phase 2
Rye Hill	Phase 2
Cossall	Phase 2
Setchell	Phase 2
Newington	Phase 2
Sydenham	Phase 2
Denmark Hill	Phase 2
Lordship Lane	Phase 2
Tabard	'Stand Alone'
Magdalene	'Stand Alone'
Webber and Quentin	'Stand Alone'
Canada Estate	'Stand Alone'
Draper (Roof Only)	'Stand Alone'
Four Squares	'Stand Alone'
Croxted Road	'Stand Alone'

92. The costs for Phase 3 are now being established and these are expected to start soon which comprise of Brandon OAP club, Draper, Sceaux Gardens (FRA only) and Wade Hall (Roof Works only).
93. Halls for Phase 4 are in the process of being identified and surveys are expected to be carried out soon.

Resource implications

94. 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.
95. After financing the capital expenditure for 2014/15, the council had accumulated cash balances of £168m, as reflected in the draft statement of accounts which will be used towards the funding of the capital programme. The balance consists of:
- capital receipts reserve balance of £42.8m
 - capital grants unapplied balance of £125.2m (of which £112.2m relates to S106 funds and Affordable Housing Funds used to fund both capital and revenue programmes).

96. In relation to the balance of unapplied capital grants (£125.2m), £56.5m consists of HRA funds and the remaining balance of £68.7m relates to General Fund grants.
97. These balances are committed against existing capital projects but were unapplied as at 31 March 2015 and could be subject to minor adjustments as part of the finalisation of the 2014/15 accounts.

Housing Invest Programme Resources

98. The total spend on the Housing Investment Programme was £168.6m. This was financed from a number of sources as follows.
99. £18.6m of funding came from the Major Repairs Reserve. This is less than the £47.8m transferred to the reserve via the annual depreciation charge and allows £29.2m to add to the unused reserve balance carried forward to meet future years capital spending.
100. Capital grants totalled £35.1m, including £32.4m as the final tranche of three years funding given by GLA for Decent Homes backlog works and £2.7m also from GLA towards new build housing.
101. The revenue contribution toward the capital spend was £18.7m and included an element of funding from external decorations cost code and the heating reserve.
102. An external contribution of £16.4m related to the clearance of Heygate Estate sites for redevelopment.
103. Capital receipts used to fund the capital program totalled £75.3m, comprising £70.0m from general housing receipts, £2.7m from Right to Buy sales for buy back of dwellings and £2.6m from that source to support the New Build programme.
104. Contributions of £4.5m were received under S106 developer funding to support the new build program at Willow Walk and other areas.

Southwark Community Infrastructure Levy (CIL)

105. On 25 March 2015, following two years of development and three rounds of consultation, council assembly approved a Community Infrastructure Levy (CIL) for Southwark. Southwark CIL is a floor space charge for infrastructure which applies to applicable planning permissions from 1 April 2015. On 17 March 2015, cabinet approved the S106 & CIL Supplementary Planning Documents (SPD) which refined what S106 can be secured on, and committed to spend 25% of Southwark CIL locally. Approval is now sought for the creation of the associated Infrastructure Planning Board (IPB) and process for identifying projects for which the 70% CIL strategic funding may be used as all or partial funding of projects within the council's capital programme.

Southwark CIL Strategic – 70%

106. Once Southwark CIL is fully established, which may take six months; it is expected to generate funding of approximately £8m per annum. CIL must be

spent on 'infrastructure that supports growth'. The infrastructure plan sets out the infrastructure required to support growth over the Core Strategy period and was part of the justification for CIL, but is not a list of priority projects.

107. It is proposed to allocate 70% of Southwark CIL funds to physical infrastructure projects that support the capital programme. Proposals for suitable projects for allocations from Strategic CIL would be made by the Infrastructure Planning Board (IPB) consisting of departmental heads or representatives from departments responsible for physical infrastructure projects, along with planning to ensure the proposals are aligned with Southwark CIL. Reports with comments from planning and finance would be submitted to IPB to request allocation from Southwark CIL. The IPB would be chaired by the strategic director of finance and corporate services or his representative.
108. Southwark CIL may, in cases where the council agrees, be paid to the council by way of an assets transfer, land or infrastructure independently valued at the amount of CIL due (or part of).
109. Recommendations by the IPB for allocations from Southwark CIL Strategic 70% will be reported to cabinet via capital monitoring reports.

Southwark CIL Local – 25% - Community Infrastructure Project Lists (CIPL)

110. Under the Localism Act (2011), the council must identify a 'meaningful proportion' of Southwark CIL that will be spent on providing infrastructure in local areas to ensure that those people affected by development see some of the benefit. The 'meaningful proportion' is 25% of CIL funding in areas where there is an adopted neighbourhood plan in place, and 15% (capped at £100 per council tax dwelling) elsewhere.
111. Cabinet agreed on 17 March 2015 that in Southwark this will be made using the community infrastructure project list (CIPL) which is based on a project bank list or where relevant on projects listed in an adopted neighbourhood plan. Southwark will allocate at least 25% of CIL on projects in the local area, whether there is an adopted neighbourhood plan or not, using the following sequence of areas to identify relevant projects.
 - Areas with an adopted neighbourhood plan
 - Opportunity areas
 - Action areas
 - SPD areas (other than individual sites/buildings)
 - Community council areas (for those areas which are not covered by any of the above).
112. The CIPLs are project ideas created by the local community and approved by the relevant community council. Consultation on the CIPLs happens regularly to make sure they are up-to-date.

Administration – 5%

113. The CIL regulations allow for the charging authority to use 5% of the CIL it receives to support the administration of CIL. This includes the costs of preparing the charging schedule, calculating and requesting the charge. There is

a legal requirement to annually publish what CIL has been spent where and on what, along with our allocations proposal. The planning service is responsible for the administration of CIL.

S106

114. To ensure that CIL and section 106 are not used to fund the same items of infrastructure, a charging authority is required to publish on its website a list of projects or types of infrastructure that it intends to fund wholly or partly through CIL – the Regulation 123 List. If an infrastructure item is included on the list, the council would not be able to seek section 106 planning obligations for that item. The Regulation 123 List can be updated as circumstances change without any requirement to update the CIL Charging Schedule, but any changes must be subject to public consultation and published on the council's website. The council has published a Regulation 123 List alongside the revised draft CIL Charging Schedule.

Future changes

115. The proposed process could be easily adaptable to future changes from central government as to what CIL can be spent on and how it is reported.

116. Monitoring and Reporting of CIL

117. An update on the overall financial position of the Southwark CIL will be monitored and reported to cabinet via capital monitoring reports.

Resource Re-profiling

118. Due to the significant size of the capital programme and the number of projects involved, it is inevitable that unforeseen delays can occur leading to some variation against planned expenditure. As noted in the preceding paragraphs, the 2014/15 outturn position has resulted in a small favourable variance across the programme which it is recommended be re-profiled into 2015/16 and following years in light of the outturn position and the projected expenditure as shown in A and B.

119. Some of the forecasts will require further re-profiling when the programme is subject to a more detailed review by service managers during 2015/16 in terms of expected spend for the year based on the latest information available on procurement and contract management issues.

120. During 2014/15 there have been a number of funded and agreed variations to the capital programme budgets. These have been included in the total budgets against which the outturn expenditure is set, in order to provide an up-to-date position of the budgets available as at 1 April 2015. Details of this are shown at Appendix C.

Risks

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

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

Community impact statement

122. This outturn report is considered to have no or a very limited direct impact on local people and communities, although of course the capital programme itself will deliver significant enhancements to the amenities and infrastructure of the borough.

Legal implications

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

Financial implications

124. This report fully explores the financial implications of the capital programme for the general fund and the housing investment programme at the end of 2014/15.

Consultation

125. 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

126. 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.
127. 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.
128. The director of legal services notes the recommendation that cabinet agrees the process for identifying projects for which Community Infrastructure Levy (CIL) may be used as all or partial funding as detailed in paragraphs 106-118.

BACKGROUND PAPERS

Background Papers	Held At	Contact
None		

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 4 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	
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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
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