

Item No. 13.	Classification: Open	Date: 6 February 2018	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy: Capital Monitoring Report, including Capital Programme Update 2017-18 (Month 8)	
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

As ever the council's capital programme continues to deliver major investments and improvements into our borough. Our spending reflects our Fairer Future priorities and so it is no surprise that one of the largest elements is our school expansions and improvements programme. Since our last report The Belham School has moved into their fantastic new buildings and Bellenden School will move to their new site at half term. As ever we have prioritised the highest quality of design and materials and the new school buildings across the borough provide amazing learning environments to help all Southwark's children get the best start in life.

This Capital Report recommends that the Cabinet invests further capital into Children's Services with £250,000 for adaptations to Foster Carers' homes and £200,000 for improvements to nursery buildings.

We are also ensuring that we provide a high quality bereavement service at our cemeteries and crematorium. This capital refresh includes funding for the creation of some additional burial spaces, replacement of the cremators and improvements to the Camberwell New Cemetery Lodge which includes the cemetery's public toilets.

At nearby Nunhead Cemetery our focus is on heritage. We are committed to protecting and improving our beautiful Grade II listed gothic cemetery with funding to be allocated for the "at risk" derelict East Lodge and for the rebuilding of the cemetery walls and railings.

In the Housing Investment Programme our work continues to build new council homes and to upgrade our existing homes. I would refer members to the Ledbury Estate update elsewhere on today's agenda and highlight that the cost of future works for the estate are not as yet reflected in the programme as options are still to be considered and costed.

RECOMMENDATIONS

That cabinet:

1. Notes the general fund capital programme for the period 2017-18 to 2026-27 as at Month 8, as detailed in Appendices A and D and the forecasted £177.5m financing required for 2017-18.

2. Notes the housing investment programme for the period 2017-18 to 2026-27 as at Month 8 2017-18, as detailed in Appendix B and the £31.9m financing required for 2017-18.
3. Approves the virements and variations to the general fund and housing investment capital programme as detailed in Appendix C.
4. Notes the projected expenditure and resources for 2017-18 and future years for both the general fund and housing investment programmes as detailed in Appendices A, B and D as at Month 8 2017-18 and this position continues to outturn when more up to date information is available.
5. Approve the inclusion in the programme of the capital bids set out in Appendix E.
6. Notes that this report indicates that external borrowing will be required in 2017-18 and beyond to finance the programme. Options to identify the most appropriate source of financing will be appraised by the Strategic Director, Finance and Governance in conjunction with the Cabinet Member for Finance, Modernisation and Performance. Debt financing costs are reflected in the Policy and Resources Strategy 2018-19 with a proposed growth commitment.

BACKGROUND INFORMATION

7. On 18 July 2017, the 2016-17 capital outturn report was presented to the cabinet. This reported the capital outturn position of £98.9m on the general fund programme and £153.1m on the housing investment programme for the financial year 2016-17.
8. At that meeting, cabinet also approved the re-profiling of the expenditure and resources for the financial year 2017-18 and future years in light of the 2016-17 outturn position for both the general fund and housing investment programme and noted that further re-profiling will be required during 2017-18 based on more up to date information becoming available.
9. There has been a 78.4% increase in actual spend in Month 8 (£165.2m) since Month 4, where the reported actual spend was £27.8m. However, at Month 4 there was a forecasted total spend of £287.1m which has been reduced by 4.9% in Month 8 (£273.2m) reflecting re-profiling of the capital programme into future years. This 2017-18 budget has been updated to reflect all capital bids approved at the September 2017 cabinet.
10. The scale of the capital programme is immense and with a total forecast spend of just over £2 billion, it 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 do business in the borough.
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. This report sets out the re-profiled budget and forecast outturn position for 2017-18 for the General Fund and the Housing Investment Programme (HIP).

KEY ISSUES FOR CONSIDERATION

Programme position at Month 8 2017-18

12. The capital programme is detailed within the report appendices as follows:
- Appendix A set out the summary of the general fund capital programme 2017-27
 - Appendix B sets the housing investment programme 2017-27
 - Appendix C sets out capital programme budget virements
 - Appendix D provides further information on the general fund capital programme 2017-27.
 - Appendix E details a list of capital programme bids to support the delivery of the refreshed council plan to deliver a fairer future for all. Departmental narratives provide further detail on these bids.

General Fund

13. The total programmed capital expenditure budget is £725.8m budgeted over the period 2017-18 to 2026-27 for general fund. The forecast spend for 2017-18 for general fund is £273.2m against a budget of £293.7m. The month 8 capital monitor report indicates that expenditure of £165.2m was incurred to date (60.5% spent). Attached at Appendix A is a summary of the general fund programme position as at month 8 of 2017-18. The summary position and the programme set out by departments are reflected in narrative in the departmental narratives below and Appendices A (overview) and D (project detail).
14. Appendix C shows the budget virements and variations arising at month 8 of 2017-18 for approval by cabinet.
15. 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.

Housing Investment Programme

16. The housing investment programme is forecasting a total expenditure budget of £1,335.7m over the programme from 2017-18 to 2026-27. The forecast total expenditure for 2017-18 is £185.6m against a budget of £181.9m. The current expenditure incurred to date is £57.3m (30.9%). Attached at Appendix B is a summary of the housing investment programme position as at month 8 of 2017-18 with further detail provided in paragraphs 9190 to 107.
17. The majority of the expenditure on the Housing Investment Programme relates to the Quality Homes Improvements Programme. Details of the schemes and budgets within the Housing Investment Programme are reflected in Appendix B.

Resource implications

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

- capital receipts from disposal of property
 - grants
 - external contributions
 - section 106 and Community Infrastructure Levy (CIL) contributions
 - housing major repair reserve
 - contributions from revenue
 - contribution from reserves
 - internal borrowing
 - external borrowing.
19. 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.
20. 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.

Financing Update

Resourcing to Month 8 2017-18

21. As at month 4 2017-18, capital receipts of £17.4m and £9.7m had been received from the general fund and housing receipts respectively for the financial year 2017-18. At the end of month 8 2017-18, £22.3m other income had been received including £15.5m of capital grants and £5.9m secured through S106 and CIL agreements. The above resources will be monitored and applied as appropriate to schemes in 2017-18.
22. Further the appropriate utilisation of existing s106 funds to support the capital programme is under scrutiny. This report assumes that a further £25m of s106 funds will be utilised to support the programme in 2017-18.

Resourcing overall programme

23. Overall there remains a shortfall of available funds of £177.5m to meet the current general capital programme commitments (an increase from the 2017-18 position forecast in July of £149.9m).
24. The capital month 8 monitor indicates that there may not be sufficient resources from capital receipts, grants, s106 and available cash for internal borrowing. Subject to the accuracy of the forecast and timing of acquisitions it is possible that borrowing will be required to fund the programme. The Strategic Director of Finance and Governance will continue to monitor the expenditure, forecast and

overall council's cash position closely over the coming months. Alongside this, consideration will be given to the most appropriate source, length of borrowing and costs, taking advice from our treasury advisors. The revenue implication of this borrowing will be reflected as a new commitment within the budget proposals for 2018-19.

25. As reported previously, there is currently a shortfall of available funding to meet the ambitious housing investment programme, however, the council will continue to work creatively to identify ways to deliver and finance our council plan commitments. The funding gap currently stands at £125.5m.

Departmental Updates

26. The sections below provide commentary on the budget position by departments for 2017-18.

GENERAL FUND (APPENDIX A)

Children's and Adults' Services

27. The capital programme budget across Children's and Adults' services for the period 2017-18 to 2026-27 is £223.5m.

Children's Services

28. The capital programme budget for 2017-18 to 2026-27 is £196m. This consists mainly of the £136m schools expansion programme to ensure the availability of school places and the £32m Primary Warm, Dry, Safe programme to ensure that pupils can study in a safe environment to support learning.
29. Beormund Primary School is a 35 place Special Education Needs (SEN) school and as part of the Council's regeneration strategy, preliminary works are to go ahead to relocate Beormund Primary school to the new, 42-place purpose-built facilities at the centrally located Bellenden school site in Peckham.
30. The primary expansion programme comprises Bessemer Grange, Dulwich Wood, Lyndhurst, Ivydale, Crawford, Phoenix, Bellenden, Grange, Charles Dickens, Robert Browning, The Belham, Albion, Cherry Garden (SEN) and Rotherhithe schools. The new buildings have been handed over and are in use at ten out of fourteen schools. The four remaining are The Belham School, which is due to be handed over in December 2017, Bellenden School, which is on target for handover in February 2018, Cherry Garden School, which is due to complete in July 2018, and Rotherhithe School, which is currently at the design stage and targeted for completion by August 2020. Further schools are being identified for expansion, particularly to meet the demand for pupil places arising from the Old Kent Road regeneration. These may be the subject of a future capital bid.
31. Excellent progress is also being made with the secondary expansion programme. Works underway at St Michael's Catholic College to provide one additional form of entry are due to complete in 2017-18. Works are also underway on the Dulwich Hospital site to provide the permanent home for The Charter School – East Dulwich, which opened in temporary accommodation in September 2017. The new buildings will open in spring 2019.

32. The £3.5m Warm, Dry, Safe programme for 2017-18 has been successfully delivered and preparations are already underway for the 2018-19 programme with a view to seeking competitive tenders in April 2018 for works packages to be undertaken mainly over the Summer holiday period in order to minimise disruption to school operations.
33. The council is pleased to have invested £5m in a partnership with London South Bank University (LSBU). This has been for the creation of the Passmore Centre as the hub of a new Institute for Professional and Technical Education (IPTE). In return, LSBU will assist in delivering commitments made in the Council Plan 2014-18, and our Fairer Future promises around education, employment and training.
34. This report includes a bid for £250k of new capital funding required for improvements to foster carer's homes, as reflected in Appendix E. This will allow extensions and alterations which will increase in-house capacity and reduce revenue spend on residential placements and IFA's. In qualifying cases, the service will look to maximise use of Disabled Facilities Grant before utilising other capital funds.
35. The council is currently at the final stages of reorganising how the remaining council nursery provisions can be reconfigured to reduce the long term cost to the council. In order to maintain Nursery places across the borough we have sought providers to run one or more provisions and have restructured delivery in another. For the council to be able to honour its commitment to providing Nursery places and for the purpose of securing interested providers, we are seeking £200k over the next two years to make the existing buildings safe and secure for ongoing educational purposes.
36. The main residual item from the Southwark Schools for the Future (SSF) programme is the provision of new accommodation for SILS3. Planning consent for the new SILS3 has been granted and tender documentation is in preparation for the works contract, which is scheduled to start on site early in 2018-19.

Adult Social Care

37. The capital programme budget for the period 2017-18 to 2026-27 is £19.3m.
38. The proposed "Centre of excellence" was originally to be provided on the ground floor of the existing learning resource centre at Cator Street, but intrusive structural investigation of the existing building raised concerns over its longevity and suitability for adaptation. Consequently, the decision was taken to demolish the existing building, thereby enabling an enhanced new build facility, comprising a day centre for vulnerable older people ('Centre of Excellence') and approximately 50 extra care residential units. The proposed new development (known as Cator Street 2) will link with the recently completed Cator Street Extra Care development (42 units), which was procured under Lot 1 of Phase 1B of the directly funded housing development programme. It is anticipated that the consultant design team will be appointed under OJEU-compliant framework in March 2018 and planning consent obtained by December 2018.

Southwark Schools for the Future (SSF)

39. The capital programme budget for the period 2017-18 to 2026-27 is £10.2m.
40. The final stage of the SSF programme will be the Southwark Inclusive Learning Service (SILS) Key Stage 3. The anticipated cost of £8m will be contained within the existing identified SSF programme budget.

Environment & Social Regeneration

41. The total value of the departmental capital programme for the period 2017-18 to 2026-27 is £93.6m. The latest projected spend for the year is estimated to be £18.1m against a budget of £23.5m for 2017-18. The budget has been re-profiled in line with the projected expenditure for 2017-18 and future years.
42. The progress of major schemes is outlined below.

Capital Budget Variations

Integrated Waste Solutions Programme (IWMF)

43. The £1.76m on the IWMF capital programme is the balance of the £2m sum set aside as per the planning report PDU/2191/02,14 October 2009 (Impact Mitigation / Section 106 Agreement) towards mitigating impacts on the A2 and associated junctions.
44. The objective was to determine whether the Waste Facility generated 2.5% or greater increase in traffic flows during the morning or evening peaks at one or more specified locations since the first initial GLA Roads Traffic Survey and Southwark Council Traffic Survey. The second GLA roads survey report was submitted in October 2012. TfL had 24 months after submission of the second survey to request for any mitigation works or another survey, the Third GLA survey. If the third survey had been requested, the liability for mitigation works would have remained for a further five years.
45. The Waste Solutions complex has been fully operational for six years and there have been no road traffic surveys that have prompted road infrastructure improvement works nor a request for a third survey. The planning condition in respect of liability for traffic flow improvement measures has therefore been discharged.
46. As there is a very low risk of this expenditure liability in future years, it is proposed that this capital allocation of £1.76m is recycled back into corporate resource pool towards funding the council's overall capital programme. This is reflected in Appendix C for cabinet approval.

Capital Bid - Cemeteries

47. This proposal relates to the need to deliver the Council's cemetery strategy with a view to continuing to provide burial space, a cremation service and protection of key assets in the borough's cemeteries. Some of this capital bid is a retrospective bid for emergency replacement of the cremators essential in order to allow for continued cremations in Southwark of £1.1m. The budget within the parks overall capital budget allocation was used for this emergency works and

capital funding is required in order to complete the existing committed projects.

48. Officers are actively progressing the delivery of the additional burial spaces at Camberwell Old and New Cemeteries, however the delay in Faculty approval to progress has required the development of a number of small additional burial areas, in verges behind the office to ensure we continue to provide burial space in the borough. There remains a demand for child burial space and aligned with proposals to introduce free child burials in Southwark (addressed as part of the 2018-19 fees and charges schedules) it is proposed that a dedicated child memorial area in the crematorium is established to ensure such provision is made available.
49. The cemetery strategy also identified that re-use of graves should be explored and work is under way to investigate this further in terms of identifying the area of the cemeteries that this could be implemented and also identifying a procedure for implementation in what is a very sensitive and complex legal process. The approach for the burial space strategy amounts to a capital bid of £0.5m in total.
50. There is also a need to invest in the property in the cemeteries to ensure they are safe and water tight of £1.2m. The small cemetery lodge in Camberwell New Cemetery which houses the only public toilets in the cemetery are in a very poor condition and it is recommended that they are refurbished. East Lodge in Nunhead Cemetery is registered at risk by Historic England and requires urgent stabilising works to be undertaken to protect the building, and cabinet is asked to consider at the same time additional funding enabling a full refurbishment of this heritage. Construction works have commenced on site at Area D1 and the contract has been awarded for the main works for Area B.
51. Further, remedial works are required to rebuild the Nunhead Cemetery wall and install appropriate heritage railing, an initial capital bid of £650k is proposed in Appendix E.

Highways

52. The Highway Asset Investment Programme (non-principal and principal roads) continues to deliver and this is reflected in our improving statistics in terms of both road pavement condition and also public survey feedback. It is forecast to spend a total of £6.9m against a budget initially set at £9.3m. Contractor programme included some slippage which has now been addressed, although some spend will slip into Quarter 1 of 2018-19. Delivery of around £1m is forecast for March but the actual spend will be in 2018-19. £800k of this programme is earmarked for the devolved highway capital programme, which has been relaunched this year permitting a wider range of projects to be funded. Decisions on how to spend this funding will be made by Community Councils in January 2018 so this element will not be spent until 2018-19. The decisions in January 2018 cover 2017-18 and 2018-19 budgets so this backlog should be cleared in next financial year.
53. Cleaner Greener Safer Programme is forecast to spend £1.8m against a budget initially set at £2m and delivers around 200 individual projects. This is around 10% below original forecast due to a number of relatively significant projects being delayed by third parties or procurement issues but nonetheless represents good delivery and a significant number of backlog projects continue to be

delivered.

54. Good progress has been made on delivering the borough's cycle infrastructure programme and the council has been very successful in attracting additional grant funding from TfL towards the development of its cycle network. The expenditure on the cycle infrastructure fund is forecast to spend £100k towards implementation of the Southwark Spine route. This is a reduction from the budget set initially and reflects the prioritisation of TfL funding which is tightly time-limited and the council's continued ability to attract additional external TfL funding due to good delivery performance. The 20mph programme expenditure is forecast to spend £250k for detailed design and commencement of implementation. Delays, in part due to general election purdah, meant that public consultation had to be reprogrammed for late 2017 and early 2018.
55. St Saviours Dock footbridge and Flood Prevention Programme budgets will be spent to programme with 195k on detailed design of the bridge and £365k on Coleman Road area flood prevention scheme implementation.

Parks and Leisure

56. Southwark Athletics Centre: Options have been considered for the athletics centre building and designs are now being progressed for a new build rather than refurbishing the existing building, the latter option had a number of constraints including the conditions of the ground and also layout of the building.
57. Major Parks: Burgess Park West has commenced on site and the first phase of drainage improvement works has been completed on the lawn area in the east of the Park. The design and build contract has also been awarded to deliver the new café building in Southwark Park.
58. Leisure Investment: Works are completed at Homestall Rd (pitch improvements and new changing facility) and the site handed back to the council.
59. Top quality play: The contract has been awarded for Southwark Park play area with works scheduled to start on site in January 2018. The planning application for the improvements to Leyton Square play area has been submitted and is awaiting approval.

Libraries and Heritage

60. Heritage Online project – Phase 2 upgrade in progress. The site launched in 2016 but new features are being added. Phase 2 includes improvements to Heritage website including sound and video, increased range of 3D images, better functionality and search facilities, and option for users to collect and share material and make their own mini galleries. Phase 2 to be completed by December 2017. The upgraded online site will be promoted and marketed at the start of 2018.
61. Public IT network Remediation: Capital project to upgrade Public IT network in libraries to ensure a safe and secure network is in progress and the upgrade will improve performance of IT and internet access for customers. Benefits will include improved customer experience, upgraded software and PC security and improved resilience of systems. The project has been delayed slightly due to implementation of shared service. It now anticipated that it will be completed

early in the New Year.

62. Grove Vale Library: Construction of new Grove Vale library is in progress and the library is due to open in summer 2018. The building will be handed over to the council in late April 2018 as a shell and core and will require additional internal building works and fitting out. (programme of works approx. 16 weeks) The new library development is part of Section 106 funding. Developers have agreed to contribute further £134k for fit out once lease has been agreed and finalised. Property team are working with libraries to finalise lease. Capital funds totalling £360K have now been agreed for the fit out, additional building works and IT facilities. Libraries are working with CFM to project manage the additional building works required to complete the new library. This includes heating, lighting, and construction of library office and toilets. This work is scheduled to start in May 2018. Libraries are in the process of procuring supplier for shelving and fit out of the new library and are working with corporate IT for project management of IT facilities for staff and public, self service kiosks and wi-fi access. Libraries are also scoping a suitable operator to run a café facility for the new library. This is included in the library fit out specification and design.
63. Kingswood House: Planned refurbishment works to the interior of the building (toilet refurbishment & decoration of function rooms) were delayed due to the discovery of problems with the façade of the building requiring urgent works to make the outside of the building safe. Intermediate works on the facade (phase1) have been completed but additional external works are still required. Initial interior refurbishment works (phase 2) are now due to start in December 2017 and will be completed in approximately 6-8 weeks. Procurement process for completion of interior works and additional external works (phase 3) currently in process. This work to start in September 2018 and £300k was added to this budget to ensure all costs are covered.
64. IT projects - A capital budget of £500k has been agreed to upgrade the IT equipment across libraries and upgrade the library management system (LMS). The procurement process for LMS tendering and new self service kiosks is underway and will be initiated in Feb 2018 (as two separate projects). Refresh of public network PCs will be rolled out later in 2018 as these are reaching end of life.
65. Aylesbury library - A capital budget of £100k has been approved for the new Aylesbury library that is due to open in early 2020. This will be used to provide funding for IT facilities and to develop the digital offer for the new library.
66. Total capital funds of £1.1m have been agreed and incorporated within the projects mentioned above for the library service.

Chief Executive's

67. The total value of the capital programme for the department over the period 2017-18 to 2026-27 is £312.5m. Project managers have reviewed the progress of the schemes and budgets have been re-profiled in line with anticipated spend. Total expenditure incurred to end of November 2017 amounted to £93.5m and the projected spend for 2017-18 is £136.9m.
68. The main focus of Chief Executive's department is to lead the corporate agenda of transforming the borough, making it a better place to live, work and visit. This

is achieved through the implementation and delivery of various physical and social regeneration programmes.

69. The department is on course to deliver various projects aimed at improving road safety, encourage greener and sustainable modes of transportation as well as supporting the commercial viability of local shopping areas through environmental improvements, trader empowerment and continued business support. This is additional to the major regeneration projects at Aylesbury, Elephant & Castle, Camberwell and other parts of the borough.

Regeneration Division

70. The regeneration division (comprising of four project areas namely Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services) has a combined budget of £242.6m with projected expenditure of £120.4m in 2017-18 and the remaining spend profiled across future years. Budget for regeneration projects is mainly funded by capital receipts to deliver key community and regeneration projects across the borough.

Walworth Rd Town Hall

71. In July 2017 cabinet considered a further report on the regeneration of the buildings. The report noted that as a consequence of a serious budget shortfall totalling £15m, further consultation had been undertaken with the community to review options for taking the regeneration of the buildings forward. This exercise identified a preferred option for a phased approach which would achieve the early delivery of a library and heritage display area. This option still required an additional £10m above the £20m already allocated. The report further noted that the continuing constraints on the council's capital programme. Cabinet therefore agreed a revised project mandate which authorises Officers to seek expressions of interest from the market for Arts and Culture D1 uses as a means of taking forward the regeneration of the buildings. Cabinet also instructed Officers to identify alternative locations in the area for a new Newington Library.
72. The extent to which an Arts/Culture use of the buildings may require council funding from the allocated budget will be assessed through the marketing process and reported to cabinet in a future report. To bring some activity and public access back to the buildings Newington Library has been let to Art Academy for a temporary two year period. This has required some minor investment by the council in its landlord capacity to facilitate safe public access. . This use commenced in September.

Elephant & Castle Open Spaces

73. The refurbishment of Pullens Gardens completed on 17 November 2017. The works included installation of a new playground, pathways, entrances and soft landscaping. Consultation on Dickens Square Park is continuing.

Revitalise Peckham Rye

74. Work on the removal of the low grade asbestos at phase two has now been completed which has allowed the construction of the playground to recommence. The new playground will be completed by summer 2018. The new play room and

changing rooms have now been completed and currently in the process of transferring services to the new facilities.

Top Quality Playground- Mint Street

75. Works are progressing on site and scheduled for completion in spring 2018.

Albion Street

76. The regeneration of Albion Street has been a long term objective of the authority since cabinet approved the Albion Street Regeneration in December 2014. Work is currently progressing with the building of the new Albion School which will double its number of pupils to meet local demand.
77. The construction of St Olav's Square in front of the Norwegian Square has been completed. The space was formally opened by a member of the Norwegian Royal family in early September 2017.

London Bridge Portfolio

78. The council has embarked on a series of investment grade property acquisitions and completed purchase of 22 Shand Street, 14-20 Shand Street and 7- 9 Holyrood Street (called the "London Bridge portfolio") and 709 Old Kent Road. These are income generating assets and their addition replaces revenues foregone from the commercial portfolio, where other assets have been released into home building, regeneration and disposal programmes. In so doing poorer quality assets are being replaced with significantly better ones in investment terms.

Capital Bid - Queens Road 4

79. A new capital bid allocation of £14.4m is required to create a state of the art customer access centre and modern office accommodation at Queens Road to serve some of the Borough's most vulnerable residents and accommodate a number of council officers who are in substandard office accommodation.
80. Queens Road 4 is the final phase of the council's office accommodation strategy rationalising accommodation at Tooley Street and Queen's Road. The development will enable the disposal of a number of assets to support the council's capital programme and its council house building programme. This proposal was included in the Office Accommodation Strategy - Queens Road 4 report agreed by cabinet on 12 December 2017 and the capital budget variation is reflected in Appendix C and E for cabinet approval.

Planning and Transport Division

81. The planning division (comprising of two project areas, namely transport planning and planning projects) has a combined budget of £18.9m with £3.2m spent up to November 2017 and a projected spend of £9.3m in 2017-18.
82. The transport planning budget of £10.6m is largely funded by Transport for London (TfL) to deliver transport improvement programme as contained within the borough's transport plan. Planning Projects budget of £8.4m is funded mainly

by s106 to deliver various projects to mitigate the impacts of new developments, improve public realm, parks and open spaces as well as supporting the commercial viability of local shopping areas.

Planning works

83. A number of projects totalling nearly £1.5m are currently on site or being developed which promote the council's programme for supporting high streets. Currently on site are the environmental and shop front improvements on Queens Road which compliment the works previously carried out in the vicinity of the station including the cleaning and lighting of the bridge. Under development are schemes for East Street (the "What Walworth Wants" programme), Walworth Road, Harper Road, Lower Road and Meeting House Lane. These projects will commence on site during 2017-18.

TfL Funded works

84. A total of £4.2m was spent by Environment and Social Regeneration department in 2016-17 on TfL-funded transport and highway improvements. The programme for 2017-18 includes substantial continued capital investment in Principal Road renewal, cycling and other road safety and public realm improvements such as Quietway 7 and Crystal Palace Parade in addition to road safety and active travel initiatives. Total forecast spend for 2017-18 is £7.2m.
85. The capital programme also includes the remaining s106/CIL contribution of £50.9m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.

Housing & Modernisation

General Fund

Overview

86. Overall, the total value of the Housing and Modernisation general fund capital programme to 2026-27 (10 years) is £93.7m, an increase of £11.3m since last reported, comprising additional resource allocations for IT (£12m) and other minor programme adjustments. Planned programme spend for 2017-18 is currently projected to be £19m, with actual spend of £7.7m to date.

Traveller Sites

87. Agreement has now been reached with Network Rail on the works required to make safe the railway embankment at Ilderton Road, the cost of which will be shared equally between the council and Network Rail. Throughout the duration of the works, households in the vicinity will be decanted to a temporary site at Devonshire Grove. The total cost of the project including the decant and preparation of the temporary site is estimated to be £0.9m, requiring additional funding of £0.6m to the existing budget as set out in Appendix E capital bids. A recent review of traveller sites has identified a number of health and safety and compliance issues that warrant remedial action which will require additional resources during 2018-19. Proposals in this regard will be reported to cabinet at the earliest opportunity.

Modernisation

88. On 1 November 2017 the council formalised a three-way shared ICT service with the London Boroughs of Brent (host authority) and Lewisham. The provision of a modern, secure and resilient IT platform is critical to transforming where and how staff work in order to better serve our customers through the implementation of the workforce, IT and workplace strategies agreed by cabinet in November 2016. To fully realise the benefits requires sustained capital investment. Approved resources of £15.7m currently exist profiled to 2020-21, but beyond this, a further £2m per annum is required (£12m in total) up to 2026-27. Approval for this capital bid is sought as part of this monitoring report (Appendix E).
89. Corporate Facilities Management (CFM) – this comprises planned preventative maintenance and compliance programmes for the council's operational estate. This programme sits alongside the council's wider workplace strategy with the focus being the rationalisation of the existing estate, improvement and targeted capital investment to those buildings that will continue to support service delivery in the longer term and new provision where appropriate. Integral to this is the decommissioning and disposal of surplus assets to support investment. Programme spend is currently forecast to be £1.7m.

Housing Renewal

90. This activity comprises a number of initiatives that support private sector housing. The largest component is in relation to adaptations to residents' homes. The budget for the year is £1.9m, of which £1.4m is by way of Disabled Facility Grant (DFG) received via the Better Care Fund. This has enabled the council to undertake more complex adaptations and approve a greater volume of routine adaptations during 2017-18. Current spend is £0.4m, but expectations are that the budget will be fully committed with a target of 120 schemes completed during the year.

Housing Investment Programme (HIP)

Overview

91. Overall, the Housing Investment Programme is forecast to spend £185.6m, comprising £78.3m on existing stock, £91.3m on new council homes including acquisitions and £16.0m on wider regeneration schemes, which also delivers affordable housing. Financing the capital programme is heavily reliant on the use of Right-to-Buy receipts and S106 funds for new housing provision, together with the generation of capital receipts and revenue support from the HRA to meet other programme commitments. At this juncture, there remains a funding gap of £31.9m for 2017-18, which may necessitate borrowing.
92. Looking beyond the current year, there are a number of potentially significant financial risks that are not currently in the programme that would put a severe strain on the council's resources and have a detrimental bearing on the existing planned programme. It is critical that any new or emerging commitments are prioritised within the context of the existing programme resources. The emphasis going forward must be on a resource-led programme, rather than expenditure-led, to ensure it remains sustainable over the long term.

Existing Housing Stock

Warm, Dry, Safe (WDS)

93. The WDS programme has been running since 2011 and invested over half a billion pounds bringing the housing stock up to the 'Decent Homes Standard'. The programme is now nearing completion with all planned works committed and remaining schemes expected to complete by 2018-19.

Fire Safety

94. Notwithstanding the substantial investment in fire safety that has already been made since 2009, the council has re-doubled its efforts in the aftermath of the Grenfell Tower tragedy and has undertaken intrusive type 4 fire risk assessments of all 174 high rise blocks. LD2 smoke alarms have been installed in all the highest priority blocks and the majority of street properties (including ex-right to buy), and continue to be delivered along with the five-year electrical testing programme.
95. Work has been undertaken to prioritise future work programmes and reduce fire risk in conjunction with the London Fire Brigade (LFB). LFB have been provided with block plans for all 5+ story blocks and residents in high rise blocks have been provided with fire safety information packs. The council has also gone above and beyond the current government requirements and have removed all cladding panels on all high-rise blocks and four low-rise blocks that were potentially at risk.

Quality Homes Improvement Programme (QHIP)

96. QHIP is the principal element of the council's asset management strategy, with a programme budget of £797m over 10 years. Whereas the focus of WDS was generally on the external fabric, QHIP recognises the need for a cyclical approach to maintenance and aims to address wider investment needs including internal works. The projected spend for 2017-18 has reduced since the last cabinet monitor to £38.3m, and although spend remains relatively low to date, it is expected to accelerate during the remainder of the year as more projects commence on site and new ones are committed. The programme overall remains broadly on budget.

Other Major Works

97. The programme covers those estates identified as high need/high cost requiring extensive repair and refurbishment. The projected spend for 2017-18 is £10.7m. Four Squares and Lakanal are complete and accounts are due to be settled by year-end. Lakanal new build scheme on the site of the old shops will follow late in the financial year. In addition, Portland is on site and due to complete in 2018-19. However, works at Tustin, Maydew and Chilton Grove are being reviewed following Grenfell to ensure they will meet a high standard of fire safety and any likely emerging regulatory requirements. The works will be reprogrammed once this review is complete and specifications drawn up.

Ledbury Estate (major works)

98. Following a review of fire safety measures in tower blocks and in response to tenant's concerns a structural issue affecting the upper floors of the four towers on the Ledbury Estate was identified. The council appointed Arup to carry out an urgent investigation which has identified the need for remedial strengthening works to the blocks. In the interim, the council has undertaken emergency safety works, including the disconnection of the gas supply as a precautionary measure and are in the process of rehousing tenants. The next stage will be to appoint independent consultants to undertake the options appraisal which will inform matters going forward. Currently all costs arising are being subsumed within the HRA and HIP.

New Council Homes

Direct Delivery

99. Overall 367 new council homes have been completed, 254 of which are via the direct delivery programme. There are a further 58 on site including eight expected to complete during 2017-18, and 169 with planning approval. In addition, a number of properties are being developed specifically for private sale in order to help finance the wider new homes programme. The projected spend for 2017-18 is £33.6m.

Hidden Homes

100. The programme seeks to create new homes from vacant or underused spaces in existing housing blocks. So far it has delivered 33 new homes as well as others for sale to help finance the programme. Projected spend for 2017-18 is £1.2m.

Acquisitions

101. The purchase of properties at Salter Road/Fisher Close was completed last year and the purchase of Didbin Apartments (Blackfriars Road) completed in early 2017-18. These units provided 24 and 56 social rented units respectively as well as 10 intermediate units at Salter Road. As a result of a successful court action by the council and subsequent settlement, provision has been made in the programme to acquire a further ten properties at the Signal Building. The council is also negotiating to acquire a further two new build tower blocks; the estimated cost of which is included in the monitor. If successful, the acquisitions will deliver 159 social rented units and 36 intermediate units of accommodation, and are both expected to complete within the next four months. Projected spend on acquisitions for 2017-18 is £56.5m.

Southwark Regeneration in Partnership Programme (SRPP)

102. The council has a large scale regeneration programme underway of which a number of projects impact on the housing investment programme and specifically the delivery of new council homes as part of wider regeneration activity. The forecast expenditure for 2017-18 is £0.8m of which £0.5m is already committed, the bulk of which is associated with the repackaging and retendering of Lot A, but additional vacant possession costs are also anticipated on Lot B.

103. Lot A: Following the unsuccessful initial tender through the GLA's London Developers Panel, the lot has been repackaged with a shift of focus to SME developers as well as large developers and on maximising capital receipts whilst delivering a minimum of 35% affordable homes across all eight sites.
104. Lot B: Development Agreement has been signed with Clarion Housing Group to deliver 606 new homes, of which over 280 of the new homes will be retained by the council, a community centre, a school hall and commercial space across ten council owned sites (mainly held in the General Fund). The total cost to the Council is £19.3m (including feasibility and vacant possession cost), of which £11.4m is expected to be funded from the GLA grant, and the remaining £7.9m from S106 receipts.

Regeneration Schemes

Aylesbury Estate

105. The forecast spend for 2017-18 is £10.8m, comprising £5.2m for leaseholder acquisitions, £4.6m for the first development site and £1m for approved premises facilities. Unavoidable delays arising from the denial of the council's CPO application have slowed the leaseholder acquisition programme. Demolition works on Bradenham and Chartridge blocks are expected to be complete in 2018-19 and construction of the approved premises facilities is due to complete in 2019-20. A variation £5.6m for the implementation of Phase 3 of the project has been reflected in the programme from 2018-19.

Elmington Estate Phase 3

106. Sites C, D and E are currently under construction and site G is being demolished. There remain a small number of leasehold acquisitions to be resolved, but completion is expected during 2018-19 with a maximum total anticipated cost of around £1.5m.

East Dulwich Estate

107. Cabinet approved the sale of 50 voids to assist with funding the estate regeneration programme. To date, 46, have been sold, with the remaining four going to market over the next few months. The conversion of 18 drying rooms in phases 1 and 2 is complete with all units sold, a further six in phase three completed in November 2017 and will go on the market in the next few weeks. Health and safety works are complete but the environmental improvements have slipped with drainage works now part of phase three, which is anticipated to start on site during autumn 2018.

Wooddene and Acorn Estates Energy Centre

108. The construction of the energy centre shell and fit out of the Acorn plant room are now complete. Demolition of the existing energy centre is expected to commence shortly. Additional costs will be incurred as a result of contract delays, but are expected to be contained within the approved budget allocation.

Regeneration North

109. This programme is now close to completion with costs remaining for outstanding acquisitions that are the subject of a Lands Tribunal decision and the relocation of six electricity sub stations.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

110. 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.
111. 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
Capital Outturn Report for 2015-16 and Capital Programme Refresh for 2016-17 to 2024-25	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Jennifer Seeley, Director of Finance Finance and Governance
Link: http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=5879		
Outturn Capital Monitoring for 2016-17 and Capital Programme Refresh for 2017-18 to 2026-27	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Jennifer Seeley, Director of Finance Finance and Governance
Link: (copy and paste link into browser) http://moderngov.southwark.gov.uk/documents/s69822/Report%20Outturn%20Capital%20Monitoring%20for%202016-17%20and%20Capital%20Programme%20Refresh%20for%202017-18%20to%202026-27.pdf		

APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at Month 8 2017-18
Appendix B	Housing investment programme summary monitoring position at Month 8 2017-18
Appendix C	Budget virements and variations at Month 8 2017-18
Appendix D	General fund programme detail at Month 8 2017-18
Appendix E	New capital bids

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Finance, Strategy and Performance	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Fay Hammond, Departmental Finance Manager, Finance & Governance	
Version	Final	
Dated	25 January 2018	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
	Officer Title	Comments Sought
	Director of Law and Democracy	Yes
	Strategic Director of Finance and Governance	N/a
	Cabinet Member	Yes
	Date final report sent to Constitutional Team	25 January 2018