

Item No. 13.	Classification: Open	Date: 24 July 2018	Meeting Name: Cabinet
Report title:		Outturn Capital Monitoring for 2017-18 and Capital Programme Refresh for 2018-19 to 2026-27	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Victoria Mills, Finance, Performance and Brexit	

FOREWORD – COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT

As ever, the council has continued to deliver major investments and improvements into our borough through the capital programme.

At the end of the financial year the work funded by the Housing Investment Programme meant that a record 97.8% of our council homes hit the decent homes standard. Other significant investments were £70m in school expansions to provide the local school places parents want and £80m in acquiring strategic income generating assets. These acquisitions will secure long-term revenue income to replace revenues foregone from assets released into home building, regeneration and disposal programmes.

This investment is additional to the major regeneration projects at Aylesbury, Elephant and Castle, Camberwell and other parts of the borough, all aimed to make Southwark a great place to live, work and study and to improve the opportunities and outcomes for all residents.

In order to ensure that the council's capital investment ambitions continue to be deliverable, affordable and to align with local priorities and the council plan, it is necessary to periodically review and refresh the capital programme. In consultation with cabinet, the capital programme will be reviewed during the remainder of 2018, including a bidding round, with proposals to be presented to council assembly for approval in quarter 1 of 2019.

RECOMMENDATIONS

That cabinet:

1. Notes a refresh of the ten-year capital strategy and capital programme will be presented to council assembly in quarter 1 2019, following Cabinet approval.
2. Approves the virements and variations to the general fund and housing investment capital programme as detailed in Appendix C.
3. Approve the inclusion in the programme of the capital bids set out in Appendix E.
4. Notes the outturn 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.

5. Notes the resulting general fund capital programme for the period 2017-18 to 2026-27 as at year-end, as detailed in Appendices A and D.
6. Notes the substantial funding requirement of £264m for future years which needs to be identified for the general fund programme in order for this to be fully delivered, as summarised in Appendix A.
7. Notes the resulting housing investment programme for the period 2017-18 to 2026-27, as detailed in Appendix B.
8. Notes the significant funding requirement of £308m which needs to be identified for the housing investment programme to be fully delivered over the remaining term of the programme, as detailed in Appendix B.

BACKGROUND INFORMATION

9. This report sets out the outturn position for the general fund and housing investment capital programme for 2017-18. On 6 February 2018 the forecast as at month 8 was presented, including growth bids totalling of £30.1m.
10. The total programmed capital expenditure over the ten year period 2017-18 to 2026-27 is £839m for general fund and £1.333m for the housing investment programme.
11. The scale of the capital programme is immense, representing 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.
12. Due to the size and scale of the programme and the number of projects involved, it is inevitable that unforeseeable delays can occur which lead to some variations against planned spend. Actual resources may also vary to the plan, due to, for example, a delay in the sale of a property, or an external development with s106 or CIL obligations not being brought forward as quickly as anticipated.
13. Historically the capital programme has been over-programmed in year to compensate for these variations, whilst retaining a balanced programme over the entire ten year life of the programme. However, the council now faces a position where planned spend is considerably in excess of forecast resources, not only in year, but also over the life of the programme.
14. The council's constitution requires council assembly to agree the capital strategy and programme at least once every four years, ensuring effective financial control and the achievement of value for money, within the provisions of financial standing orders. On 25 March 2015 the council assembly agreed a refreshed 10 year general fund capital programme for the period to 2023-24 and the housing investment programme (HIP) for the period to 2021-22. Since then, cabinet has approved the refresh of the capital programme on a regular basis through quarterly capital monitoring reports to ensure it is fully updated and aligns with the council's key priorities.

15. Following cabinet consideration and approval, a refreshed capital strategy and programme will be presented to council assembly in Quarter 1 of 2019 to ensure it continues to align with the new council plan. Details of bidding process to follow.

KEY ISSUES FOR CONSIDERATION

16. In meeting the council's fairer future promises, in 2017-18 the council made a total capital investment of £398.9m (compared with £252.0m in 2016-17). This comprised £231.4m investment in General Fund and £167.5m in the Housing Investment Programme.
17. Whilst, inevitably, some re-profiling of the capital programme has occurred, in year spend was much closer to profile than in recent years reflecting the fact that more schemes are in construction phase and that acquisitions were completed. Spend was 12.6% lower than forecast at month 8 (£36.6m General Fund, £17.9m Housing Investment Programme).

Capital Expenditure in 2017-18 by Service Department:

Department	Budget £'000	Actual £'000	Re-profiling to future years £'000
Children's and Adults' Services	98,415	77,128	21,287
Southwark Schools for the Future	846	576	270
Environment & Social Regeneration	18,493	16,086	2,407
Housing & Modernisation	19,420	16,070	3,350
Chief Executive	157,445	121,501	35,944
Total General Fund	294,619	231,361	63,258
Housing Investment Programme	190.467	167,523	22.940

Key Capital Achievements 2017-18

18. The 2017-18 capital programme has successfully delivered the fairer future promise, these are listed under the council themes below:
19. **Quality affordable homes** - We will improve housing standards and build more homes of every kind including 11,000 new council homes with 1,500 by 2018. We will make all council homes warm, dry and safe and start the roll out of our quality kitchen and bathroom guarantee.
- Through our Warm, Dry, Safe (WDS) and Quality Homes Improvement (QHIP) programmes we have invested over £77m in improving our existing housing stock in 2017-18, including the installation of new kitchens and bathrooms
 - Our investments have led to 97.8% of homes being classed as "Decent" at March 2018, in excess of our target of 90%.
 - Acquisitions at Sylvan Grove, Churchyard Row, Salter Road/Fisher Close and Didbin Apartments have delivered 239 social rent properties and 46 intermediate units of accommodation
 - To date, 262 homes have been completed via the Direct Delivery

- Programme, a further 50 are on site and 289 with planning approval
 - Completion of the respite centre at Orient Street; the conversion of Half Moon Lane to supported accommodation for learning disability clients; and refurbishment works to residential care homes.
20. **Best start in life** - We believe in giving all our young people the best start in life. We want them to be in safe, stable and healthy environments where they have the opportunity to develop, make choices and feel in control of their lives and future. We will offer our young people and families, including those who are more vulnerable or have special educational needs, the right support at the right time, from their early years through adolescence and into successful adult life.
- £70m has been spent in 2017-18 on school expansion to ensure the availability of school places. This includes new secondary schools to meet demand, for example the Dulwich Hospital site in East Dulwich, which is currently in temporary accommodation, will move to its new buildings January 2019
 - £3m has been spent on maintaining school buildings to ensure that pupils work in a safe environment to support learning
 - Confirmed investment of £5m in London South Bank University to create the Passmore Centre. LSBU will assist the council in delivering our fairer futures promises around education, employment and training
 - Preliminary work has commenced on the proposed Beormund primary school redevelopment to provide much needed special educational needs places
21. **Strong local economy** - When our economy is strong, then all our residents benefit. It brings more opportunities for people in Southwark to find work, get into training and achieve their aspirations. We want our town centres and high streets to thrive. We want to make Southwark the place to do business in a central London and a global economy, where business owners know this is the borough where their enterprises will grow and prosper.
- In 2017-18 the council delivered 300 apprenticeships, bringing the total to 1,484 since April 2014. These were mainly generated through direct delivery and supply chain partnerships, commissioning and s106 agreements.
 - Investment in Eagle Wharf through the facilities agreement with Mountview includes a package of community benefits when the school is open in September 2018.
22. **Healthy active life** - For people to lead healthy lives, we need to tackle the root causes of ill health and reduce the inequalities that limit the lives of too many in our society. We will work to reduce health inequalities and improve people's lives; for example, by making all council homes warm, dry and safe and by building quality new homes, we are helping people to live healthier lives. We will work with residents and our partners to build resilient communities, extending opportunities to all to maintain and improve their health and wellbeing.
- Expenditure on leisure in 2017-18 amounted to £1.2m with a number of successful projects completed
23. **Cleaner greener safer** - We want people to feel safe in their borough, to walk

down clean streets and to know that their borough is leading the way when it comes to things that matter like recycling and reducing landfill waste. With local people our aim is to deliver the very best so the borough is clean, green and a safe place to be.

- Ongoing investment contributed to the significant progress made towards implementing the programme of improvements to open spaces within the Elephant & Castle opportunity area.
- Spend on parks and parks infrastructure totalled £5.0m including £1.0m on playgrounds and sports fields
- The total amount spent on the Cleaner Greener Safer (CGS) amounted to £1.9m which consisted of a number of projects.
- This year an additional three of our parks achieved Green Flag status taking the total to 28, placing Southwark second amongst London local authorities with the most Green Flags and third nationally.

24. **Revitalised neighbourhoods** - We are a borough with a proud heritage and a great future. It's a future filled with potential, with some of the most exciting and ambitious regeneration programmes in the country being delivered right on our doorstep.

- In July 2017 Cabinet considered a further report on the regeneration of Walworth Road Town Hall and agreed a revised project mandate that took in arts and culture uses
- Capital expenditure of £225k was spent on the Southwark Cycle Spine to compliment the increasing numbers of cycling in Southwark.

25. **Fit for the future** - We are a dynamic borough at the heart of London. Ambitious and confident, we want the very best outcomes for our residents. This means leaving no one behind in a fast changing world. We will be a council that is fit for the future with responsive, digitally enabled services that adapt well to change. Through our digital strategy we will make it easier for residents and businesses on the move to access more services via the web and smartphone.

- Capital expenditure of £5.9m was used on improvements in the councils IT infrastructure and networks to support the efficiency of the councils operation
- Commercial property acquisitions in the year totalled £80m. These properties will generate essential income to fund services; in addition, these assets have been selected for their potential to contribute to wider strategic objective to support corporate priorities.

Programme outturn position 2017-18

General Fund

26. The total-spend for 2017-18 for general fund is £231.4m against a plan of £294.6m (80% of the total forecast spend). The variance between spend and available resources was £127m which was funded from borrowing.
27. A summary of the general fund programme position is attached at Appendix A. The summary position and the programme by department are reflected in the narrative below and in Appendices A (overview) and D (project detail).

28. Appendix C shows the budget virements and variations for approval by cabinet.
29. 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.

Housing Investment Programme

30. The total expenditure for 2017-18 is £167.5m, against a budget of £190.5m (88% of the total budget). Appendix B provides a summary of the housing investment programme outturn position for 2017-18; with further detail provided below.
31. The total forecast spend for the programme to 2026-27 is £1.333m, against total resources of £1.024m. This variance will need to be monitored and reviewed over the course of the programme.

Financing 2017-18 capital spending

32. Capital expenditure is financed through a variety of sources, typically receipts from the sale of capital assets, capital grants, external contributions such as S106 or Community Infrastructure Levy (CIL), from reserves or from revenue budget contributions. Any capital expenditure that is not financed by available capital resources must be financed by borrowing.
33. The strategy for financing the capital programme is to utilise grants, before using council receipts and reserves, thereby minimising any requirements for borrowing which will impact on the council's revenue budget.
34. The council can temporarily utilise other resources in lieu of using external borrowing to fund capital expenditure. This is referred to as internal borrowing. Whilst internal borrowing is a useful treasury management facility to minimise debt financing costs, it merely defers the timing of external borrowing rather than obviates the need.
35. Financing of 2017-18 capital expenditure is set out below:

	General Fund £'000	HIP £'000	Total £'000
Total Spend	231,361	167,523	398,884
Financed by:			
Capital Receipts	19,961	49,521	69,482
Capital Grants and contributions	36,574	4	38,380
Section 106 Funds	47,433	9,159	56,592
Major Repairs Reserve	-	51,000	51,000
Revenue contributions and reserves	415	21,164	21,579
Borrowing	127,139	36,675	163,814
Total financing	231,361	167,523	398,884

36. The shortfall in available capital resources were financed from borrowing and will be funded from revenue contributions to support the debt costs over the life of the debt repayment.
37. The treasury management strategy has been to defer external borrowing, borrowing only when needed for liquidity purposes. Whilst this strategy has worked well for the council, saving over £20m since 2011, the increase in capital spending not financed from capital resources can no longer be funded entirely from internal borrowing. Accordingly during 2017-18 the council has needed to borrow externally, on a temporary short-term basis. As set out in the treasury management strategy, it will be necessary during 2018-19 to replace this short-term borrowing with long-term PWLB debt.

Resourcing the 2018-19 programme onwards

38. The make up of the capital programme is significantly influenced by the scale of resource availability from grants, s106, community infrastructure levy (CIL) and capital receipts and their timing. Over the life of the programme, all commitments must be met from anticipated resources. In the event of any shortfall in resources to fund the programme in any particular year the council would need to consider the use of prudential borrowing to bridge the gap. The cost of servicing the debt will be a charge to the revenue budget and funded from savings and/or returns on investments.
39. In the current ten year programme included within this report, there is a shortfall of available funds of £264.5m to meet the planned general fund capital commitments and £308.5m to fund the ambitious housing investment programme.
40. In addition, proceeds from capital receipts are continually kept under review especially for sales and development agreements. Financing will require careful monitoring of commitments and a drive to secure the forecast capital receipts and other resources as planned over the rest of the financial year. As part of work to review capital financing, a review of s106 has been undertaken to identify where contributions can appropriately be utilised to support the capital programme, subject to the agreement of the planning committee.
41. 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. Beyond 2017-18, there are likely to be future demands for borrowing and these will be assessed as necessary at the time as part of our Treasury Management Strategy. In accordance with the approved strategy, £150m will be borrowed externally in 2018-19 with further external borrowing expected in 2019-20. The timing of any decision to borrow will be mindful of cash flows and risk/probability of future interest rate increases.
42. Following cabinet consideration and approval, a refreshed capital strategy and programme will be presented to council assembly in Quarter 1 of 2019 to ensure it continues to align with the new council plan. Details of bidding process to follow.

Departmental Updates

43. The sections below provide commentary on the budget outturn position by department for 2017-18.

GENERAL FUND (APPENDIX A)

Chief Executive's Department

44. The total value of the capital programme for the department over the period 2017-18 to 2026-27 is £370.9m. Project managers have reviewed the progress of the various schemes and budgets have been re-profiled in line with anticipated spend. Total expenditure incurred to end of March 2018 amounted to £121.5m.
45. 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, study and visit. This is achieved through the implementation and delivery of various physical and social regeneration programmes.
46. 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.
47. The regeneration division (comprising of 4 project areas namely Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services) has a combined budget of £300.9m with a final outturn expenditure of £107.6m in 2017-18 and the remaining spend profiled across future years.

Walworth Road Town Hall

48. In July 2017 cabinet considered a further report on the regeneration of the building and agreed a revised project mandate, which authorised 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 building. An extensive marketing process began with a soft launch in December 2017 with a direct mail out to an extensive list of potentially interested parties from the leader of the council. In the new year, formal marketing in the Estates Gazette and other developer based mail outs widened the marketing reach. A series of site visits around the building complex and an information day for interested bidders achieved a solid response and we had over 100 parties register their interest on the www.walworthtownhall.com website. At the conclusion of the process, 18 expressions of interest (EoI) were received outlining a wide range of proposals. The EoI's are currently being reviewed. Cabinet also instructed officers to identify alternative locations in the area for a new Newington Library and these investigations are ongoing.
49. 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. The former Newington Library

has been let in the meantime to bring some activity and public access back to the buildings. Since moving into the building in September, the Art Academy has provided a number of free exhibitions alongside its education role and local charity CoolTan arts have also occupied space within building.

Elephant & Castle Open Spaces

50. Consultation on Dickens Square Park is continuing with a third consultation event in June 2018. Geraldine Mary Harmsworth masterplan implementation of phase 2: playground works to commence in summer 2018.

Canada Water Leisure Centre

51. In March 2018, Cabinet agreed to enter into a master development agreement with British Land (BL) to regenerate the shopping centre, former print works and Mast Leisure sites. Cabinet further agreed that "plot A2" within this large site would be the preferred location for the new Canada Water leisure centre. The high level specification for the project incorporates an 8 lane 25m swimming pool, learner pool, 4 court sports hall, gym, dance studio's, spin studio's and changing facilities.
52. Cabinet in March 2018 also endorsed a framework for taking forward the project which includes agreement on a council budget cap of £35m meaning the council's contribution to the scheme from its capital programme will not be greater than this figure. BL have been undertaking work on the design of the facility which forms part of the detailed phase 1 planning application. The next phase of the scheme is to develop this scheme to RIBA stage 3 at which point the costs for the project will be rebased. This phase of the project is expected to be completed by the end of the current financial year. A budget of £35m for the project is therefore required to give effect to the March 2018 Cabinet decision. This capital budget variation of £35m is reflected in Appendix C for cabinet approval.

Revitalise Peckham Rye

53. Works on the playground have progressed well following the remediation of asbestos at phase 2. The new playground is scheduled for completion by summer 2018. Unfortunately following the discovery of further asbestos contamination, the work to return the site of the old changing rooms and play room to common land has been delayed. The total area of affected land is to be confirmed, so a final timetable for these works to complete is not yet known, but is not likely to continue beyond summer 2018. The new play room and changing rooms have now been completed and are now in use.

Top Quality Playground- Mint Street

54. Works are progressing well on site and scheduled for completion by April 2018. The new play equipment has now been installed and the team are working to ensure it meets the required standards ahead of handover to the parks and leisure team.

Mountview

55. Construction works to deliver the new home for Mountview Academy of Theatre

Arts on the Eagle Wharf site in Peckham town centre, commenced last year and are now well advanced. Practical completion is anticipated at the end of summer allowing the new flagship building to be opened during the 2018-19 academic year. Mountview capital repayments will commence in 2019.

Aylesbury Plot 18

56. The redevelopment of Plot 18 of the Aylesbury Estate will deliver flagship new community facilities including a new council library, community trust offices, health centre and GP surgery and a early years facility. An initial package of enabling works comprising demolition and utilities diversions commenced last year and the council will accelerate the delivery of the new community facilities by further de-risking the site through an additional £2m package of enabling works. Following reapportionment of costs to date, this takes pre-construction expenditure to £3.3m with a further £3.3m of underwritten works.
57. A tender process will be undertaken later this year to secure a principal contractor to deliver the scheme with development works anticipated to commence in 2019.

Old Kent Road

58. The acquisition of the gasworks land at 709 Old Kent Road was approved by cabinet in May 2017. Together with SGN, we will shortly be carrying out a feasibility study to look at the development potential of the site in greater detail.
59. In short term this investment will provide a valuable contribution to the revenue income for the council and in the longer term it has the potential to provide new homes and jobs which contribute to the revitalisation of the Old Kent Road.
60. The council is looking to secure additional strategic land and property assets in the Old Kent Road Area.

London Bridge portfolio

61. 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.

132 Queens Road

62. Cabinet approved the purchase of 132 Queens Road in March 2018 to consolidate its strategic office estate in this part of the borough. The purchase was completed on 3 April 2018. A capital budget of £17.025m inclusive of all related costs is required in respect of the purchase. This capital budget variation is reflected in Appendix C for cabinet approval.

Office accommodation strategy – budget virement

63. The capital budgets of £1.985m for Office Accommodation Strategy is now being managed within the Housing and Modernisation department and this budget virement between the departments is reflected in Appendix C for cabinet approval.

Planning and Transport Division

64. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a combined budget of £21.1m with £6.7m spent up to March 2018.
65. The transport planning budget of £12.6m 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 £8.5m 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

66. A number of projects totalling nearly £1.3m are currently on site or being developed which promote the council's programme for supporting high streets. Nearing completion 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. The schemes for East Street (the "What Walworth Wants" programme); Walworth Road; Harper Road, Lower Road and Tower Bridge Road are currently on site or well advanced in the design phase. The current phase of Marlborough Street Playground has been completed by the Bankside Open Space Trust. In addition the first phase of the Peckham Townscape Initiative will be commencing on site in early 2018-19.

TfL Funded works

67. Actual spend for 2017-18 was £5.3m. Schemes delivered included Crystal Palace Parade as well as elements of Camberwell pocket places. Scheme development and design on Camberwell Town Centre, Walworth Road and Southwark Spine cycle infrastructure were also undertaken.
68. 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.

Central School of Ballet

69. Five years ago the development of 6 Paris Gardens was completed which has created a culture space specifically designed for the Central School of Ballet charity, who have chosen to relocate to Southwark. The Central School of Ballet has developed a prestigious reputation, and the move will allow them to quadruple the size of their home, with a new theatre which will be used by the school, cultural partners and the community. This new facility will bring benefits for our residents, including access to education, the development of our

teachers, well being programmes, community hire of the facilities, and training and employment opportunities. The £3m loan agreement will enable the charity to make the project happen now and to place an order for fit-out works so that the school can open its doors in Southwark in 2019.

CHILDREN'S AND ADULTS' SERVICES

70. The total value of the departmental capital programme for the period 2017-18 to 2026-27 is £225m. The final departmental capital outturn for 2017-18 was £77m.

Adult Social Care

71. The capital programme budget for the period 2017-18 to 2027-28 was £19.3m. The outturn for 2017-18 was £3.8m. Key areas of spend included completion of the respite centre at Orient Street, the conversion of Half Moon Lane to supported accommodation for learning disability clients and refurbishment works to residential care homes. Expenditure was also incurred in the design phase of the new Mental Health office accommodation at Castlemead and on the implementation of the Mosaic software system.
72. Preparatory work is also under way on the Cator Street 2 site, where the new Hub for Older People is to be sited. This new facility will be adjacent to the existing Extra Care housing at the Cator Street 1 site and this second phase of the build will incorporate a further 50 Extra Care flats.
73. The Adult Social Care division is seeking additional capital funds of £7.9m in respect of an essential lifecycle capital maintenance programme for the residential care homes operated by Anchor Trust. The operator leases these properties from the council and the proposed programme of works will keep these homes operational at least until the expiry of the lease in 2025. The works are wide-ranging but the key cost drivers are the replacement of windows, lifts and distribution pipework.

Children's Services

74. The capital programme budget for 2017-18 to 2026-27 is £206m. This consists mainly of the £135m schools expansion programme to ensure the availability of school places and the £39m Primary Schools Refurbishment programme to ensure that pupils can study in a safe environment to support learning. Other major projects including the extension for London South Bank University (LSBU) and Beormund primary school redevelopment totals £22m.
75. The primary expansion programme comprises Bessemer Grange, Dulwich Wood, Lyndhurst, Ivydale, Keyworth, 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 thirteen out of fifteen schools. The two remaining are 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. Five of the completed school expansion projects have been short listed for the 2018 RIBA Awards. Several schools in the Canada Water area have been identified, most recently in a March 2018 Cabinet Report, for possible expansion to meet demand arising from the Canada Water regeneration. Further schools are being identified for possible expansion to meet the potential demand for pupil places

arising from the Old Kent Road regeneration. These may be the subject of a future capital bid.

76. 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 Summer 2018-19. 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 January 2019.
77. The Schools Refurbishment programme for 2017-18 has been successfully delivered in budget and preparations for delivering the 2018-19 programme are already at an advanced stage, with works to be undertaken mainly over the Summer holiday period in order to minimise disruption to school operations.
78. The council is pleased to have invested £5m in a partnership with London South Bank University. 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 and our Fairer Future promises around education, employment and training.
79. The council has secured additional specific grant funding of £0.2m in respect of Healthy Pupils capital fund (HPCF) and £1.649m for Special Educational Needs (SEN) and disabilities grant.
80. The SILS 3 (Pupil Referral Unit) (£2,500k) - is an existing high needs related project. The additional funding will provide further capacity. The new bid for works at Ilderton School (£350k) is related to environmental improvement. The £200k bid for St Thomas the Apostle College (STAC) is for alternative provision accommodation to build further capacity.

Southwark Schools for the Future (SSF)

81. The capital programme budget for the period 2017-18 to 2026-27 is £10.2m.
82. 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 has been prepared for the works contract, which is scheduled to start on site in Summer 2018-19.

ENVIRONMENT AND SOCIAL REGENERATION

83. The total value of the departmental capital programme for the period 2017-18 to 2026-27 is £100m. The final departmental capital outturn for 2017-18 was £16.1m against the budget of £18.5m giving a favourable variance of £2.4m, which will be re-profiled into 2018-19 and future years.

Highways

84. The Highway Asset Investment Programme (non-principal and principal roads) continues to deliver improvements to the roads in the borough and this is reflected in our improving statistics in terms of both road pavement condition and also public survey feedback. Total spend for 2017-18 was £5.1m, with some

slippage and prioritising spending of external grants for Principal Roads. The devolved highway fund did not spend significantly due to recasting and relaunching the programme but expenditure is expected to increase in 2018-19 to compensate. The decisions in Jan 2018 cover 2017-18 and 2018-19 budget period so this backlog should be cleared in next financial year.

85. Cleaner Greener Safer Programme expenditure was £1.9m which was approximately 5% above budget but 5% below forecast, and delivered 310 individual projects (15% above forecast).
86. 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 was minimal due to the prioritisation of spending from external funding on the Southwark Spine route. Approvals are now in place for construction to start in 2018-19 and completion in 2019-20. Delays, in part due to general election purdah, meant that public consultation had to be reprogrammed for the 20mph programme schemes. Implementation of the first schemes are programmed for 2018-19 and completing the project in 2019-20.
87. St Saviours Dock footbridge and Flood Prevention Programme budgets have incurred significant expenditure during 2018-19 and are close to programme. Implementation of both projects will complete in mid 2018-19.

Parks and Leisure

88. Cemetery strategy: The implementation of the cemetery strategy continues in order to create further burial spaces and make associated infrastructure improvements. Construction works have commenced on site at Area D1 and Area B.
89. Southwark Athletics Centre: The contractor has been appointed on a design and build basis to develop the design for a new build option.
90. Major Parks: Burgess Park West has commenced on site. Construction has also started on site to deliver the new café building in Southwark Park.
91. Top quality play: Southwark Park play area has been completed and the construction to deliver the new play area at Leyton Square has started on site.

Libraries and Heritage

92. Heritage Online project – Phase 2 upgrade completed in December 2017. The web site was launched in 2016 but with new features as part of the phase 2 upgrade. These include improvements including sound and video, increased range of 3D images, better functionality and search facilities, and options for users to collect and share material and make their own mini galleries. The upgraded online site will be promoted and marketed during 2018 as part of the library digital strategy.
93. Public IT Network Remediation: Capital project to upgrade Public IT network in libraries to ensure a safe and secure network and improved performance of IT and internet access for customers. Benefits include improved customer

experience, upgraded software and PC security and improved resilience of systems. The project was completed in January 2018.

94. Grove Vale Library: Construction of new Grove Vale library is in progress and the library is due to open in late summer 2018. Once the building is handed over from the developers the fit out will take place to include heating, lighting, and construction of a meeting room, library office, toilets, library furnishings and IT facilities. Libraries are also scoping a suitable operator to run a coffee provision facility at the new library.
95. 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) were completed in 2017. Initial interior refurbishment works (phase 2) took place between January and March 2018. The final phase is scheduled to take place in the autumn to include refurbishment of the existing accessible toilets, damp proofing and improvements to the kitchen area.
96. Library Management System (LMS) and IT projects - The Library Service is developing a digital strategy to encompass options for a new LMS, refresh of self service provision and improved access to library services through digital technology. There will also be a refresh of public network PCs. This will be rolled out later in 2018 as part of the IT shared service agreement.

School air quality improvements Phase I (£0.3m)

97. To support the Council Plan Commitment to close roads around schools to improve local air quality and encourage healthier transport options. To enhance the physical environment and provide screening that improves local air quality.

Cemetery walls (£0.5m)

98. £650k was allocated in February 18 to the rebuild of this listed wall running along the Limesford Road perimeter of Nunhead Cemetery. The wall has been made safe and it is being monitored but works are required as soon as possible as it is structurally in a poor condition. At the current time the exact costs of this work are not known but are likely to be considerable and early estimates at the feasibility stage are that the costs could be in the region of £1.5m so further capital will be required.

Cycle storage and moped security (£0.15m)

99. To support the Council Plan commitments to increase provision of cycle hangars and to improve secure parking facilities for mopeds across the borough.

Sports pitches (£4m)

100. In 2017 the council developed its playing pitch strategy in conjunction with Sport England and the main national governing bodies for outdoor pitch sports which was adopted in March 2018. The role of the playing pitch strategy is a strategic assessment that provides an up to date analysis of supply and demand for playing pitches across the borough.

HOUSING AND MODERNISATION

101. Overall, the total value of the Housing and Modernisation general fund capital programme up to 2026-27 (10 years) is £99.9m. Programme spend for 2017-18 was £16.1m, some £3.3m lower than budget, due to slippage in the housing renewal programme following restructuring and consolidation of functions to deliver revenue savings, and in the corporate accommodation programme which was subject to a strategic review of the council's long-term accommodation needs. Both of these programmes are expected to return to plan during 2018-19.

Traveller Sites

102. After protracted negotiations agreement was finally reached with Network Rail and residents to make safe the railway embankment at the Ilderton Road site, the cost of which is to be shared equally between Network Rail and the council (c.£150k). To enable works to commence it has been necessary to construct a temporary site at Devonshire Grove and decant the residents in the immediate vicinity, at an estimated cost of c.£1m. Reconfiguration and improvement works to address health and safety and compliance issues are planned prior to residents returning later in the year. This and proposals for related works to the council's other traveller sites form part of the capital refresh programme in this report. Subject to further discussion, it is anticipated that a contribution of up to 50% of the cost will come from the Greater London Authority.

Modernisation

103. One of the key challenges for the department during 2017-18 has been the transition from an external managed IT service provider to a shared service with the London Boroughs of Brent and Lewisham from 1 November 2017. A stable and resilient IT platform is critical to delivering modern, reliable and cost effective services and underpins the council's modernising agenda. This has required a significant up-front capital investment of £5.9m in year and a sustained programme of investment going forward.
104. As mentioned above the facilities management capital programme has slowed to enable review of the long-term accommodation requirements, which are critical to supporting the council's workplace strategy. The service has also begun to focus on the delivery model for 2020 for facilities management when the current contractual arrangements co-terminate, which is an integral part of the strategic plan. FM also provides professional and technical support to departmental capital programmes which can fluctuate and was towards the lower end of expectations in 2017-18.
105. Moving in to 2018-19, as part of the capital refresh, a programme allocation in respect of corporate accommodation strategy has been relocated from Chief Executives and redesignated 'Modern Ways of Working' along with other programme descriptions to reflect changes in organisational responsibilities and better distinguish investment work streams between "Compliance" and "Life Cycle" and "Workplace Modernisation".

Housing Renewal

106. This comprises a range of initiatives that principally support private sector housing and council tenants. The largest component is in relation to adaptations

to residents' homes. The budget for the year is £1.9m, of which £1.4m is Disabled Facility Grant (DFG), received via the Better Care Fund. 2017-18 saw a number of changes to the service following restructuring and consolidation of functions which impacted programme delivery to some extent with spend of £0.9m. The service is now fully operational and expected to have a fully committed grants programme this year.

Housing Investment Programme (HIP)

107. Overall, the Housing Investment Programme spent £167.6m in 2017-18, comprising £73.5m on existing stock, £79.1m on new council homes including the acquisition of Sylvan Grove and Churchyard Row, and £14.9m 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. The possible need for borrowing was highlighted in previous monitoring reports, and in the event, borrowing of £36.7m was required to help fund the new build acquisitions.
108. 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 the emphasis is on a resource-led approach rather than spend-led, and that new or emerging commitments are prioritised within the context of the existing programme resources. Work is ongoing to reconfigure the HIP to ensure it remains sustainable over the long-term.

Existing housing stock

Warm, Dry, Safe (WDS)

109. 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

110. 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 and investigated cladding panels on all blocks that were potentially at risk. 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.

Quality Homes Improvement Programme (QHIP)

111. QHIP is the principal element of the council's asset management strategy and 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. Spend for 2017-18 at £29.4m is lower than that previously forecast due to the residual impact of WDS. Given the competing capital commitments the programme is subject to review and re-profiling in line with resource availability.

Other major works

112. The programme covers those estates identified as high need/high cost requiring extensive repair and refurbishment. Spend for 2017-18 is £12.6m. Lakanal and Four Squares refurbishments are complete and Lakanal new build on the site of the old shops will follow. In addition, Portland is on site and due to complete in 2018-19. Whilst enabling works are underway at Tustin, the planned works to those blocks and also Maydew and Chilton Grove are being re-assessed following Grenfell to ensure they will meet the most rigorous of fire safety standards and address any emerging regulatory requirements. The works will be reprogrammed once this review is complete and specifications drawn up.

Ledbury Estate

113. Following a review of fire safety measures in tower blocks and in response to tenants' 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 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 residents. Independent consultants were appointed to undertake an options appraisal of the estate to inform matters going forward. Spend for 2017-18 is £3.3m HRA and £5.3m HIP.

New Council Homes

Direct delivery

114. To date, 262 homes have been completed via the direct delivery programme. There are a further 50 on site and 289 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. Spend for 2017-18 is £21.6m.

Hidden Homes

115. The programme seeks to create new homes from vacant or underused spaces in existing housing blocks. So far it has delivered 34 new homes as well as others for sale to help finance the programme. Spend for 2017-18 is £0.7m.

Acquisitions

116. During March 2018, the council successfully completed the purchase of two new build blocks at Sylvan Grove and Churchyard Row, delivering 159 social rented units and 36 intermediate units of accommodation. 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. Spend on acquisitions for 2017-18 is £56.1m.

Regeneration schemes

Southwark Regeneration in Partnership Programme (SRPP)

117. 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. Following the unsuccessful initial tender through the GLA's London Developers Panel, Lot A 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. During 2017-18 £0.6m has been spent, the bulk of which is associated with the repackaging and retendering of Lot A.
118. A Development Agreement has been signed with Clarion Housing Group for Lot B 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 costs), of which £11.4m is expected to be funded from GLA grant and £7.9m from S106 receipts.

Aylesbury Estate

119. Regeneration of the Aylesbury Estate is planned in four phases, demolition at the first development site is underway and expected to complete during 2018-19. Spend in relation to phase in 2017-18 was £5.8m, with a further £0.3m on associated construction works of the approved premises facility, which is due for completion during 2019-20. Unavoidable delays arising from the rejection of the council's original CPO application have slowed the leaseholder acquisition programme for phases 1 and 2, with spend of £6.6m in 2017-18. Given the continued uncertainty further revisions to the programme timeline are inevitable.

Elmington Estate Phase 3

120. 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

121. 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. 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

122. 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

123. 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

124. 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.
125. The capital programme satisfies the council's duty under the Local Government Act 1999 which requires it to make arrangements 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
Month 8 Capital Monitoring for 2017-18 and Capital Programme Refresh for 2017-18 to 2026-27	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Rob Woollatt, Interim Departmental Finance Manager, Finance and Governance
Link: (copy and paste link into browser) http://modern.gov.southwark.gov.uk/documents/s73745/Report%20Policy%20and%20Resources%20Strategy%20Capital%20Monitoring%20report%20including%20Capital%20Programme%20Update.pdf		

APPENDICES

No.	Title
Appendix A	General fund outturn position 2017-18 and refresh for 2018-19 to 2026-27
Appendix B	Housing investment programme summary outturn 2017-18 and refresh for 2018-19 to 2026-27
Appendix C	Budget virements and variations at month 12 2017-18
Appendix D	General fund programme detail at month 12 2017-18 and refresh for 2018-19 to 2026-27
Appendix E	New bids for approval at month 12 2017-18

AUDIT TRAIL

Cabinet Member	Councillor Victoria Mills, Finance, Performance and Brexit	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Rob Woollatt, Interim Departmental Finance Manager, Finance and Governance	
Version	Final	
Dated	12 July 2018	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director for Finance and Governance.	N/a	N/a
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	12 July 2018	