

Item No. 16.	Classification: Open	Date: 18 June 2019	Meeting Name: Cabinet
Report title:		Outturn Capital Monitoring for 2018-19 and Capital Programme Refresh for 2019-20 to 2027-28	
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. A refreshed capital programme for the period 2018-19 to 2028-29 was approved by council assembly in February 2019.

At the end of the financial year the work funded by the Housing Investment Programme meant that a record 98.3 per cent of our council homes hit the decent homes standard. Investment in General Fund assets during the year was over £215m including investments in school expansions, highways and infrastructure improvements, investment in environment and leisure, in addition to investment in our existing operational assets and IT infrastructure. The council also invested in strategic income generating assets, notably Courage Yard, principally to secure long-term revenue income to replace revenues foregone from assets released into home building, regeneration and disposal programmes. This is a vital source of income which supports our highly valued public services in this period of decreasing government funding.

This investment is additional to the major regeneration projects at Canada Water, 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.

RECOMMENDATIONS

That cabinet:

1. Notes the outturn and resources for 2018-19 and future years for both the general fund and housing investment programmes as detailed in Appendices A, B and D;
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 substantial funding requirement of £425m 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;

5. Notes the significant funding requirement of £477m 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

6. On 4 February 2019, the month 8 2018-19 capital monitoring report was presented to the cabinet. This reported the capital forecast position of £440.9m and financing requirement (i.e. borrowing) of £134.3m on the general fund programme and a fully financed £122.6m housing investment programme for the financial year 2018-19.
7. The total programmed capital expenditure over the ten year period 2018-19 to 2027-28 is £807m for general fund and £1.385m for the housing investment programme.
8. 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.
9. 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.
10. 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.
11. 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 20 February 2019 the council assembly agreed a refreshed 10 year general fund capital programme and housing investment programme (HIP) for the period to 2027-28. Cabinet will consider and approve the refresh of the capital programme on a regular basis through capital monitoring reports to ensure it is fully updated and aligns with the council's key priorities.

KEY ISSUES FOR CONSIDERATION

12. In meeting the council's fairer future promises, in 2018-19 the council made a total capital investment of £359m. This comprised £215m investment in General Fund and £144m in the Housing Investment Programme.
13. The outturn expenditure position was lower than the month 8 forecast by 18% (General Fund was £103m lower than forecast, Housing Investment Programme was £21m greater than forecast). 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.

Capital Expenditure in 2018-19 by Service Department:

Department	Budget £'000	Actual £'000	Re-profiling to future years £'000
Children's and Adults' Services	49,715	34,401	-15,314
Southwark Schools for the Future	9,066	344	-8,722
Place & Wellbeing	219,825	147,716	-72,109
Environment & Leisure	29,352	24,024	-5,328
Housing & Modernisation	15,612	9,102	-6,510
Housing Investment Programme	122,597	143,781	21,184
Total capital expenditure	446,167	359,368	-86,799

Programme outturn position 2018-19

General Fund

14. The total-spend for 2018-19 for general fund is £216m against a plan of £324m (67% of total forecast spend). The variance between spend and available resources was £59.4m, which was funded from borrowing.
15. 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).
16. Appendix C shows the budget virements and variations for approval by cabinet.
17. 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

18. The total expenditure for 2018-19 is £143.8m, against a forecast at Month 8 of £122.6m. Appendix B provides a summary of the housing investment programme outturn position for 2018-19; with further detail provided below.
19. The total forecast spend for the programme to 2027-28 is £1.385m, against total resources of £908m. This variance will need to be monitored and reviewed over the course of the programme.

Financing 2018-19 capital spending

20. 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.
21. 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.

22. 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 obviating the need.
23. Financing of 2018-19 capital expenditure is set out below:

	General Fund £'000	HIP £'000	Total £'000
Total Spend	215,587	143,781	359,368
Financed by:			
Capital Receipts	111,161	51,164	162,325
Capital Grants and contributions	34,278	3,267	37,545
Section 106 Funds	10,794	16,579	27,373
Major Repairs Reserve	-	50,752	50,752
Revenue contributions and reserves	-	22,019	22,019
Borrowing	59,354	-	59,354
Total financing	215,587	143,781	359,368

24. The shortfall in available capital resources is financed from borrowing and will be funded from revenue contributions to support the debt costs over the life of the debt repayment.
25. 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 can no longer be financed entirely from internal borrowing. Accordingly since 2017-18 the Council has needed to borrow externally to finance previous capital spending and to maintain target cash balances.

Resourcing the 2019-20 programme onwards

26. 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.
27. In the current ten year programme included within this report, there is a shortfall of available funds of £425m to meet the planned general fund capital commitments and £477m to fund the ambitious housing investment programme.
28. 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.

29. 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 2018-19, 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 is planned to be borrowed externally in 2019-20 with further external borrowing expected in 2020-21. The timing of any decision to borrow will be mindful of cash flows and risk/probability of future interest rate increases.

Departmental Updates

30. The sections below provide commentary on the budget outturn position by department for 2018-19.

GENERAL FUND (APPENDIX A)

PLACE AND WELLBEING

31. The total value of the capital programme for the department over the period 2018-19 to 2027-28 is £404.3m. 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 2019 amounted to £147.7m with the remaining budgets profiled to spend in the following years.

Regeneration Division

32. 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 £387.2m with actual expenditure of £141.7m in 2018-19 and the remaining spend profiled across future years.

Walworth Road Town Hall, new library and heritage centre

33. Following an extensive marketing process to gain third party investment into the town hall, two bids were received outlining proposals for employment, arts and culture hubs. In March 2019 cabinet approved General Projects as the successful bidder to take forward the Walworth Town Hall project. Over the coming months, General Projects will be undertaking community engagement to help develop the proposals and specifically the Community arts and culture space.
34. In January 2019 cabinet agreed to lease 145-147 Walworth Road in the new Elephant Park development for a new Library and Heritage Centre. The design and fit out of these units are being progressed by Southwark Council with Lendlease. Community engagement on the project is underway and will continue throughout design delivery.

Elephant & Castle Open Spaces

35. Consultation on the final design for Dickens Square Park completed in April 2019. Detailed design is underway in preparation for planning submission in July 2019. Geraldine Mary Harmsworth Masterplan - site investigation completed. Programme revised: Design development and consultation will now commence in July 2019 with a view to construction in early 2020. A detailed review of the approved S106 funding towards the project has been completed and the budgets have been updated accordingly.

Canada Water Leisure Centre

36. 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. BL have subsequently submitted a detailed planning application for phase 1 [which includes Plot A2] and public consultation on this proposal is underway.
37. 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. The Capital Programme Refresh for 2018-19 to 2027/8 which was approved in the cabinet meeting held on 24 July 2018 included a £35m allocation for the project. Governance arrangements to oversee the coordination of the project internally have been put in place and the council team is now engaging with BL to develop design of the scheme to RIBA stage 3 at which point, the costs for the project will be rebased. This phase of the project has extended beyond the original programme as the statutory planning process is continuing. The rebasing of the project and budget finalisation of the specification is now expected to be completed by summer 2019.

Top Quality Playground - Mint Street

38. The works are complete and the adventure playground and building, together with the public playground, are in operation. The project is now in the defects period. All internal defects and snags have been addressed and the team is working closely with parks and leisure to address remaining defects to the playground.

New Nunhead Community Centre

39. Provision has been made for the settlement of the final account for the new Nunhead community centre. The overall cost was £1.5m which represents good value for money for a high quality centre building which is well used by the local community for a range of activities and bookings.
40. The final account on this project was £1.5m against the initial budget of £1.216m and therefore required additional budget of £283,000. This was met by a budget virement from Acquisition of Properties project budget within in Regeneration division. This is reflected in Appendix C for cabinet approval.

Aylesbury Plot 18 – £38m over the period 2019-20 to 2021-22

41. The Plot 18 scheme delivers a range of new high quality community facilities at the heart of the Aylesbury estate underpinning the regeneration programme. The scheme will be delivered under the development partnership with Notting Hill Genesis and a capital allocation of £35m was included within the capital programme in February 2017 for the community facilities, including new library and community trust space, health centre and GPs surgery, early years nursery and civic square. Following a competitive tender exercise for a principal contractor undertaken in 2018, firm construction costs for the project have now been obtained. Based on these tender returns, the council budget requirement has been revised and an additional allocation of £3m is required for the community facilities portion of the scheme. Appointment of the principal contractor is due to take place to allow development works to start on site in 2019 and hence cabinet funding approval is sought for the £3m additional funding requirement for this project. If approved, the additional funding will be drawn down from the capital reserve set aside for the Aylesbury development. This is reflected in Appendix C for cabinet approval.

London Bridge Portfolio

42. Potential addition of 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.
43. On 11 December 2018 cabinet agreed the addition of a mixed use asset at Courage Yard, SE1 in the vicinity of Tower Bridge to the portfolio. The purchase price was £89m, exclusive of costs and tax (c. £5.2m) making a total value of £94.2m

Planning and transport division

44. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a combined budget of £17.05m with £6.05m actual spend in 2018-19 and the balance profiled over future years.
45. The transport planning budget of £9.90m 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 £7.15m 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 Projects

46. A number of projects totaling nearly £1.3m are currently on site or have been completed by the Regeneration Teams which promote the council's programme for supporting high streets. The schemes for East Street (the "What Walworth Wants" programme) and Harper Road have been completed while the; Walworth Road; Lower Road, Tower Bridge Road and Rye Lane are currently on site or well advanced in the design phase. The first phase of the part HLF funded

Peckham Townscape Heritage Initiative is complete and the second phase of the programme has been tendered and shortly to start on site.

47. Schemes funded by Neighbourhood CIL are also being developed with colleagues in Highways, Parks and the Regeneration divisions. These include Surrey Docks Farm improvements, pedestrian improvements in Camberwell and Dulwich and parks in the Bankside area.

TfL-funded works

48. A number of key projects have been initiated and developed including Lordship Lane and Long Lane which will continue to be progressed in the following financial year. Over 81 lamp post charging points have been installed, with the council well on the way to achieving the target of 150 charging points.)
49. The Bus Improvements Programme has been particularly successful in 2018-19 with additional funding having been approved by TfL to cover all schemes. There have been a number of underspends in the financial year and TfL have agreed to carry forward funding into the next FY where appropriate.
50. The capital programme also includes the remaining s106/CIL contribution of £41.3m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.

Cycle Super-Highway 4 Lower Road

51. The outline design for the project is now complete, and we will be consulting this summer. We are still negotiating TfL contribution, which should be concluded mid June.

CHILDREN'S AND ADULTS' SERVICES

52. The total value of the departmental capital programme for the period 2018-19 to 2027-28 is £186m. The final departmental capital outturn for 2018-19 was £34.7m.

Adult Social Care

53. The capital programme budget for the period 2018-19 to 2028-29 is £44.1m, the main projects being; £10.7m in respect of a programme of improvements to existing care settings, £10m for the provision of an additional bed-based care facility, £7.9m for an essential lifecycle capital programme for four residential care homes, £5.2m for the Cator Street older peoples' hub and day centre and £1.8m for new office accommodation in Castlemead. No additional capital requirements for Adult Social Care are identified in this report.
54. Preparatory work is under way on the Cator Street 2 site, where the new older people's hub and day centre are to be sited. This new facility will be adjacent to, and integrated with, the existing Extra Care housing at the Cator Street 1 site and this second phase of the build will incorporate a further 42 Extra Care flats. Design work has commenced and will continue throughout the first part of 2019-20 with onsite work anticipated in December 2019.
55. The main contract has been awarded for the remodelling and refurbishment of

Castlemead, 232 Camberwell Road as office accommodation for the service's mental health teams. Work commenced as scheduled in October 2018 and is due to be completed by summer 2019; the mental health teams are expected to move into their new office accommodation by August 2019.

56. In addition to the £7.9m essential lifecycle capital programme for the four residential care homes which has been programmed in from 2019-20, some urgent remedial works were undertaken throughout 2018-19. These were completed in February 2019. Some fire safety work will continue into 2019-20.

Children's Services

57. The capital programme budget for 2018-19 to 2027-28 is £128.0m. This consists mainly of the £48.8m schools expansion programme to ensure the availability of school places and the £26.4m 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) £5.0m and Beormund primary school redevelopment totals £11.6m.
58. 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 fourteen out of fifteen schools, including Cherry Garden (SEN) School which opened in January 2019. The one remaining is Rotherhithe School, which was submitted for planning approval in November and targeted for completion by August 2020. Ivydale, Grange and Charles Dickens schools were each awarded a 2018 RIBA Regional Award. In addition, Albion School won 'Best Educational Building' at the 2018 Local Authority Building Control (LABC) Regional Building Awards and was also awarded a National Commendation from the recent LABC National Awards, the largest business to business awards in the building control sector. Southwark Council was also recognised in the Building Design 2018 Architect of the Year Awards where it was awarded "Client of the Year" mainly for the work on the primary school programme. Further schools are under review for possible expansion, to meet the potential uneven demand for pupil places in future years arising from the Old Kent Road regeneration. These may be the subject of a future capital bid.
59. Excellent progress is also being made with the secondary expansion programme. Works at St Michael's Catholic College to provide one additional form of entry which completed in September 2018. Work at the Dulwich Hospital site to provide the permanent home for The Charter School – East Dulwich, have completed the handover of the main teaching building and the school moved out of its temporary accommodation into their permanent site in January 2019. Phase 2, which includes the 6th form centre, is dependent on the NHS relocation and will be scheduled to start on site in April 2020 and complete by September 2021.
60. The Primary Schools Refurbishment programme for 2018-19 programme is underway, with works to 17 primary schools being undertaken mainly over the summer holiday period in order to minimise disruption to school operations. The programme for 2019-20 is being prepared and schools have been identified to include in the programme with works anticipated to start over the holiday periods.

61. The council is investing £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). This opened recently and is in use by the LSBU. In return, LSBU will assist in delivering commitments made in the Council Plan relating to education, employment and training.
62. Additional SEND capital grant of £1.15m for 2019-20 was announced and funding will be directed at priorities driven by the Budget Recovery Board.
63. As a result of a decision made by the Office of the Schools Adjudicator (OSA), Phoenix Primary School, the school finds itself with a published admissions number (PAN) for reception in 2019-20 of 120 pupils and insufficient classroom space to accommodate them. Therefore two additional classrooms will be required to accommodate the additional pupils generate by 2019-20's four forms of entry. There was no capacity within the existing school estate to accommodate the additional pupils, and were unable to source appropriate alternative accommodation in the vicinity, or existing (unused) temporary buildings or classrooms elsewhere within the borough. The cost for purchase and installation of the classrooms with the necessary permissions and connections would likely run to a maximum of £0.4m, as they would be needed for seven years, and acquisition in these circumstances would be more cost effective than rental over the same time period, although a cheaper refurbished unit could possibly be procured and installed for a sum lower than this c £0.3m. Provision of adequate school places is a statutory duty of the LA, and, whilst we have explored a range of other courses of action (such as bussing schools offsite, or hiring space in nearby accommodation), there is no credible cost effective alternative option. This can be funded from the earmarked reserve for schools capital programme contribution.

ENVIRONMENT AND LEISURE

Summary

64. The total value of the departmental capital programme for the period 2018-19 to 2027-28 is £112.6m. The final 2018-19 outturn was £24m against the latest revised budget of £29.4m. The budget for future years has been re-profiled in line with the projected expenditure.
65. The progress of major schemes is outlined below.

Highways

66. The Highway Asset Investment Programme (non-principal and principal roads) has delivered 46 schemes in 2018-19, representing 105% of the forecasted schemes as two additional schemes were brought forward from 2019-20. This, in combination with the devolved highways programme delivered £6.784m of highway improvements.
67. Principal Roads programme has been completed with improvements being made to Lordship Lane, South Croxted Road and Southwark Park Road.

68. S106 Crown St works were cancelled due to adjacent development site coming on line which will affect the safety of site operatives. Works are being programmed following completion of development
69. Consultation issues around Sydenham Hill have been resolved and 20MPH Zone review programme can now be reforecast. Actual spend of £58,000 is tracking forecast spend of £133,000 as it is approximately three months behind profile.
70. Junction improvement works for Rotherhithe New Rd were cancelled at a late stage due to receiving late objections from the Police. Proposal to be revisited in order to resolve the issues.
71. Minor design change has lead to a slight delay on St Saviours Dock footbridge but this will be complete by the end of June 2019 and within budget.

Asset Management

72. Lamp column replacement on the basis of structural integrity and lantern replacement for energy consumption reduction continues as per programme.

Flood Prevention

73. Coleman Road Flood Alleviation project completed within 2018-19 with work ongoing as planned for the gulley replacement programme.

Parks and Leisure

74. Implementation of the Parks and Leisure Capital Programme has continued at pace, with the completion of 13 projects. The majority of the construction work on significant large scale projects at Burgess Park, Southwark Park and Camberwell Old Cemetery was delivered during 2018-19 and this is reflected in over £9m spent during 2018-19. A detailed review of the approved S106 funding towards the various departmental capital programme has been completed and the budgets have been updated accordingly.
75. Delivery of the cemetery strategy continues in order to create further burial space and make associated infrastructure improvements. Procurement is underway for the Area Z phase 2 landscaping contract with bids received and currently being evaluated. Camberwell New Cemetery small lodge refurbishment completed. Nunhead Cemetery lodge enabling works have been tendered and are due to commence in quarter 1 of 2019-20.
76. Major Parks: Burgess Park West involving major landscaping and the creation of a new playground is now complete. Construction of the iconic new café building and associated landscaping work at Southwark Park will complete in quarter 1 of 2019-20.
77. Southwark Athletics Centre: Detailed design in progress with planning submission on track for June 2019.
78. Design development and consultation is underway for Burgess Park Urban Games and Burgess Park and Brimington Sports Hubs.

79. Design development and consultations has begun for Cossall Park, Leathermarket Gardens and Pelier Park. Landscaping improvements at One Tree Hill and Green Dale have reached the end of the defects liability period.
80. Works at Dulwich Leisure Centre air cooling was delayed due to the contractor going into administration. This has now been resolved with a new contractor currently on site and the project is due to complete in June 2019.
81. All projects currently in delivery are on budget within the parks and leisure capital programme. Additional cemetery costs approved for Area Z soil imports have been reconciled and will be met from the project's contingency budget.

Culture

82. Grove Vale Library: Internal fit-out of new Grove Vale library completed and the library opened on schedule in December 2018.
83. Kingswood House: The final phase 3 works completed in April 2019 subject to snagging.

HOUSING AND MODERNISATION

HOUSING GENERAL FUND

84. The total value of the Housing and Modernisation general fund capital programme up to 2027-28 (10 years) is £104.3m and comprises a diverse range of activity, mostly of a corporate nature. Spend for 2018-19 was £9.1m; lower than budget due primarily to slippage and re-profiling of critical corporate programmes in order to deliver optimum service outcomes and best value. The key headlines are outlined below.

Queens Road 4

85. Queens Road 4 represents a critical element in the council's office accommodation strategy by rationalising existing office provision in to a two-hub model at Tooley Street and the Queen's Road complex. This enables the disposal of a number of buildings that are at or near the end of their useful life which will either generate cash receipts for the wider capital programme or provide development opportunities for the council's new homes programme. Cabinet approved an indicative programme budget of £14.4m in November 2017, based on preliminary estimates for demolition, design and build. Work undertaken since then has highlighted a number of physical constraints associated with the site which complicate its construction. Detailed workspace planning that supports modern ways of working, the need to address local resident's concerns and planning considerations have necessitated a thorough project re-appraisal and re-design of the building, which has inevitably put the project timeline back and contributed to an increase in cost. The revised cost estimate is £19.750m, including allowance for building inflation and contingency of £2.568m, to allow for any price variation at contract award stage in early 2020. The capital budget variation is reflected in Appendix E for cabinet approval.

Traveller sites

86. Reconstruction works to the railway embankment at the Ilderton Road site have been completed and reconfiguration and improvement works to address health and safety and compliance issues are well progressed. Upgrading works to the other sites are included in the capital programme at an estimated cost of £3.5m, for which the council has been successful in securing 50% grant funding from the Greater London Authority (GLA). The works are expected to be completed in 2019-20.

Information Technology and Digital Services (ITDS)

87. Investment in IT has continued to focus on the upgrading and renewal of systems and applications, particularly telephony and mobile working. Expenditure in-year at £1.8m is below what was previously forecast and has been constrained to some extent by the need to stabilise and embed 'business as usual' (BAU) in the Shared Service in its first full year of operation. Consequently, slippage in planned capital projects has been re-profiled to the current year. Further review and assessment of the council's strategic options for data centre provision have also taken place which has impacted on planned activity elsewhere. This remains critical to the council's strategy for the provision of a secure, resilient and sustainable IT platform to support services going forward.

Corporate Facilities Management (CFM)

88. The focus for CFM remains the targeted investment in the council's operational estate to ensure that all necessary regularity standards for compliance are met and that buildings remain safe for both council employees and visitors alike. Inspection and assessment regimes remain on track followed by the remedial works programme. Aligned with this is the planned preventative programme based on a building life-cycle approach to investment in the council's operational assets to prolong and enhance their life and maintain asset value. Spend in both areas is slightly behind earlier forecasts but is expected to catch up in the current year.

Modernise

89. The 'modern ways of working' capital programme budget exists to support investment in the delivery of smart working environments, which enable council employees to work in much more flexible and efficient ways to deliver services. While there was no significant expenditure in 2018-19, plans are in place to upscale usage in the current year and over the medium-term to drive out greater efficiencies and improve service outcomes.

Housing Renewal

90. 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 with spend of £1.7m in-year, of which £1.5m was funded by the Disabled Facility Grant (DFG), received via the Better Care Fund (BCF). Following restructuring and consolidation of functions the service has delivered a

fully committed disabled facilities grants programme this year, with only minor slippage of £0.3m across remaining support programmes, which will be recycled in the current year. Going forward, it is anticipated these programmes will be fully spent as part of plans to increase the take up of grants and loans available to property owners and landlords in the private sector.

HOUSING INVESTMENT PROGRAMME (HIP)

91. Capital investment in the council's housing stock during 2018-19 was higher than previously forecast as a result of a late site acquisition for new homes. Otherwise it was broadly as expected at £143.8m, comprising £65.9m on investment in the existing stock, £61.9m on the new build programme including the acquisition of land for future development and £16m on wider regeneration schemes, which also delivers affordable housing. The mainstream maintenance/renewal programme was funded from HRA revenue/reserves (£64.9m) and receipts/other contributions (£17m). Funding for the new build programme comprised RTB receipts and S106 developer contributions (£50.8m), and grants/revenue of £11.1m.

Quality Homes Investment Programme (QHIP)

92. QHIP is the principal strand in the council's asset management strategy for the maintenance and renewal of the existing housing stock and is the successor to Warm, Dry, Safe (WDS). Since 2011, the WDS programme has invested over half a billion pounds bringing the housing stock up to the 'Decent Homes Standard'. All residual programme works are committed and expected to complete by the end of this financial year. 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, such as kitchens and bathrooms. Spend in 2018-19 was £45.2m, which is very close to forecast. Any slippage is carried forward and preparation of subsequent year's programmes is underway, but it should be recognised that given the scale, age and nature of Southwark's housing stock and the many other competing capital priorities/commitments, it remains subject to review and re-profiling in line with resource availability.

Other Major Works

93. The programme covers those estates identified as high need/high cost requiring extensive repair and refurbishment. The schemes by their nature are complex and resource intensive and require bespoke funding solutions outside of the main QHIP programme. Spend of £9.6m was achieved in 2018-19 with the new build scheme at Lakanal and works at Portland on site and works at Maydew, Tustin, Chilton Grove and Damory and Thaxted programmed to commence during 2019.

New Council Homes

94. The council aims to deliver 2,500 new council homes by 2022, of which 635 have so far been built and 1,865 still required to be delivered. The delivery programme also includes shared ownership and private sales units. The homes are being delivered through a combination of direct delivery, the Southwark Regeneration in Partnership Programme (SRPP), hidden homes and the acquisition of privately developed new build affordable homes.

95. The council has recently been awarded £88m of 'Building Council Homes for Londoners' grant from the GLA, which will help support the delivery programme (the third highest award in London). Achieving the longer-term commitment to build 11,000 homes by 2043 will require more land for development than is currently available and with this in mind, the council has been successful in acquiring sites for development, with a total spend of £39.8m in 2018-19.
96. Furthermore, government lifted the HRA borrowing cap for local authorities, primarily to stimulate new home building. Borrowing has been almost exclusively reserved for the provision of new homes and over the long-term will be fully consumed in delivering the council's commitment to build 11,000 properties. Whilst the council welcomes the borrowing freedom, it is not without risk and should not be seen as a panacea, as the revenue financing costs of servicing the debt must be sustainable over the long-term (thirty to fifty years on average). Borrowing remains subject to the provisions of the Local Government Act 2003 which requires local authorities to have due regard to the CIPFA's 'Prudential Code' when determining how much it can prudently afford to borrow. Consideration of borrowing along with other financing sources remains part of any scheme appraisal and is assessed on a case-by-case basis. Whilst it wasn't necessary to borrow during 2018-19 to fund the programme, this is likely to change during 2019-20 as other resources decline and the use and mix of capital funding streams remains subject to strict criteria/restrictions.
97. In relation to SRPP, the council and its partners, Clarion Housing Group and Latimer Developments mutually agreed to terminate their development agreement for the Lot B contract. Work is currently underway to carry out site re-appraisals to ensure the most effective and fastest delivery route for the provision of new homes and making best use of public funds.

Regeneration schemes

98. Regeneration of the Aylesbury Estate is planned in four phases. Spend in 2018-19 on the first development site was £5.3m, with a further £8m spent on leaseholder acquisitions and home loss payments and £1.8m on associated construction works of the Approved Premises Facility (APF) which is due to complete next financial year. The project has been subject to unavoidable delays arising from the rejection of the council's original CPO application resulting in a slower acquisition completion rate for phases 1 and 2. Given the continued uncertainty further revisions to the current forecast and the overall acquisition programme are possible and will be kept under review.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

99. 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.

100. 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 programme refresh for 2018-19 to 2027-28	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Rob Woollatt, Interim Departmental Finance Manager, Finance and Governance
Link (please copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s80724/Report%20-%20Capital%20Refresh.pdf		

APPENDICES

No.	Title
Appendix A	General fund Outturn Position 2018-19 and Refresh for 2019-20 to 2027-28
Appendix B	Housing investment programme summary outturn 2018-19 and Refresh for 2019-20 to 2027-28
Appendix C	Budget virements and variations at 2018-19 outturn
Appendix D	General fund programme detail at 2018-19 outturn and Refresh for 2019-20 to 2027-28
Appendix E	New bids for approval at 2018-19 outturn

AUDIT TRAIL

Cabinet Member	Councillor Victoria Mills, Finance, Modernisation and Performance	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Rob Woollatt, Interim Departmental Finance Manager, Finance and Governance	
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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
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