

<b>Item No.</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 5 February 2019	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy and Resources Strategy: Capital Monitoring Report, including Capital Programme Update 2018-19 (Month 8)	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Victoria Mills, Finance, Performance and Brexit	

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

I am delighted to be presenting this latest update of the council’s capital and housing investment programmes that underpins so many of our fairer future promises and our Council Plan priorities. This report not only provides the current status of the hugely ambitious programmes that are in progress but also seeks approval for new schemes that support a range of themes, including:

A new library and heritage centre for Walworth, which will be situated in a prominent place on the Walworth Road ensuring growth and redevelopment works for all and ensure that Walworth remains a destination.

Additional investment designed to bring the adult’s existing care settings up to a modern standard which will meet the needs of our service users, support the sustainability of the adult social care budget and facilitate future options to support the need for additional bed-based care within the borough.

Investment in a new depot which will be able to provide good accommodation for our front line staff and allow services to expand in future years.

Further investment to continue the council’s non-principal road investment programme and to ensure that we deliver a borough wide 20mph speed limit to reduce collisions, encourage more sustainable forms of travel and help improve air quality.

Continued investment in income generating assets, including Courage Yard. Income we receive from our commercial property investments is an essential part of continuing to support our highly valued public services in this period of decreasing government funding.

Other proposals include investment in our schools, supported housing properties for use by users with learning difficulties and further investment in the play service and our environmental priorities.

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.

As ever the council's capital programme continues to deliver major investments and improvements. Key capital achievements since the previous report include the handover of the Cherry Garden School expansion, works at St Michael's Catholic College to provide one additional form of entry were completed in September 2018 and at the Dulwich Hospital site, the first phase of the permanent home for the Charter School – East Dulwich has completed.

## **RECOMMENDATIONS**

That cabinet:

1. Notes the general fund capital programme for the period 2018-19 to 2027-28 as at Month 8, as detailed in Appendices A and D and the forecast financing required (i.e. borrowing) of £134.3m for 2018-19.
2. Notes the housing investment programme for the period 2018-19 to 2027-28 as at Month 8, as detailed in Appendix B. Financing of the anticipated spend of £122.6m for 2018-19 has been identified.
3. Approves the virements and variations to the general fund and housing investment programme (HIP) as detailed in Appendix C.
4. Approve the inclusion in the programme of the new capital bids set out in Appendix E.
5. Notes the projected expenditure 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 as this position continues to outturn when more up to date information will be available.

## **BACKGROUND INFORMATION**

6. On 18 September 2018, the month 4 2018-19 capital monitoring report was presented to the cabinet. This reported the capital forecast position of £259.9m and financing requirement (i.e. borrowing) of £158.6m on the general fund programme and a fully financed £145.1m housing investment programme for the financial year 2018-19.
7. At that meeting, cabinet also approved the re-profiling of the expenditure and resources for the financial year 2018-19 and future years in light of the month 4 2018-19 forecast position for both the general fund and housing investment programme and noted that further re-profiling will be required during 2018-19 based on more up to date information becoming available.
8. The scale of the capital programme is immense, with a total forecast spend of over £2 billion over the ten year period 2018-19 to 2027-28 for the general fund and the housing investment capital programme. This represents a major element of the council's financial activities. It has a significant and very visible impact on the borough and hence on the lives of those who live, learn, visit and do business in the borough.
9. Due to the size and scale of the capital programme and the number of projects involved, it is inevitable that unforeseeable delays can occur which lead to some variations against planned spend. This report sets out the re-profiled budget and

forecast outturn position for 2018-19 for the General Fund and the housing investment programme.

## **KEY ISSUES FOR CONSIDERATION**

### **Programme position at Month 8 2018-19**

10. The capital programme is detailed within the report appendices as follows:
  - Appendix A set out the summary of the general fund capital programme 2018-28
  - Appendix B sets the housing investment programme 2018-28
  - Appendix C sets out capital programme budget virements and variations
  - Appendix D provides further information on the general fund capital programme 2018-28.
  - Appendix E details a list of capital programme bids to support the delivery of the refreshed council plan to deliver a fairer future for all. Departmental narratives provide further detail on these bids.

### **General Fund**

11. Attached at Appendix A is a summary of the general fund capital programme position as at month 8. The total programmed expenditure over the period 2018-19 to 2027-28 is £792.2m. The forecast spend in 2018-19 is £318.3m against a budget of £331.2m.
12. Capital expenditure to the end of Month 8 was £92.1m representing 29% of total forecast spend for the year.
13. Appendix C details the budget virements and variations for approval by cabinet.
14. Appendix D provides a breakdown of the programme by directorate and project and the departmental narrative statements (paragraphs 23 to 89) provide further details.
15. This programme position will continue to be monitored and reviewed over the remainder of the financial year and the final outturn position will be reported to cabinet.

### **Housing investment programme**

16. The housing investment programme is forecasting total expenditure of £1,305.2m over the period 2018-19 to 2027-28. The forecast spend in 2018-19 is £122.6m against a budget of £147.0m. Spend to the end of month 8 was £43.2m representing 35% of total forecast spend for the year.
17. A breakdown of the schemes and budgets within the housing investment programme is included in Appendix B. Further narrative is provided at paragraphs 90 to 97. The majority of the expenditure on the housing investment programme relates to the quality homes improvements programme.

## **Resourcing the capital programme in 2018-19 and onwards**

18. 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.
19. The month 8 monitor indicates that there is likely to be shortfall in available resources of £134.3m to finance the general fund capital commitments in 2018-19 and £468.9m in total over the ten year programme. There is currently a forecast shortfall of £393.4m to fund the ambitious housing investment programme from 2018-19 to 2027-28.
20. 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.
21. 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. 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. The treasury management strategy mid-year update reported to council assembly in November 2018 indicated an additional requirement of up to £250m by March 2019. The timing of any borrowing will be mindful of cash flows and risk/probability of future interest rate increases.
22. The sections below provide commentary on the budget position by departments for 2018-19.

## **GENERAL FUND**

### **PLACES AND WELLBEING DEPARTMENT**

23. The total value of the capital programme for the department over the period 2018-19 to 2027-28 is £416.4m. Project managers have reviewed the progress of the various schemes and budgets have been re-profiled in line with anticipated spend. The revised budget for 2018-19 is £232.5m and expenditure incurred up to November 2018 amounted to £48.0m. The budget for future years have been profiled in line with the projected spend.

### **Regeneration Division**

24. 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 £219.6m with a projected expenditure of £208.7m in 2018-19 and the remaining spend profiled across future years.

#### Walworth Rd Town Hall

25. 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 following which 18 Expressions of Interest (Eoi) were received outlining a wide range of proposals. Following a review of Eoi's, the internal project board overseeing the governance of the project agreed to take forward 3 projects into the Invitation to Bid phase. Closing date for the ITB phase was 9<sup>th</sup> November. Two bids were received and these are now in the process of being evaluated. Public Consultation events took place in December. A Cabinet report on the outcome of the ITB process is being programmed for March 2019.

#### Walworth Library and Heritage Centre – £6.0m in 2019-20

26. Cabinet also instructed Officers to identify alternative locations in the area for a new library and a report was considered at Cabinet in January 2019.

#### New Depot

27. Cabinet approved in December 2018 the proposed consolidation of the current three depots into one depot. This is expected to generate operational efficiency, streamline processes, promote collaborative working and support the council to deliver excellent services. The anticipated costs associated with this project is £25m. Once vacated, these sites will be available for appropriate development, generating capital receipts for the council which is currently estimated to exceed the capital costs.

#### Elephant & Castle Open Spaces

28. Consultation on Dickens Square Park is continuing with a third consultation event held in October 2018. Geraldine Mary Harmsworth masterplan phase 2: playground consultation is scheduled to start in January 2019 with construction works currently programmed to start in autumn 2019.

#### Canada Water Leisure Centre

29. 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.
30. 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 2027-28 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 is now expected to be completed early in the new year.

#### Central School of Ballet

31. 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. At its meeting on 24 July 2018, cabinet agreed to provide a £3m loan to 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. Officers agreed the loan in October 2018 and the council will monitor the works during the construction period until September 2019.

#### Revitalise Peckham Rye

32. Work on the playground was completed and the playground opened successfully in time for the school summer holidays 2018. Planting was undertaken in December 2018 and January 2019 but some areas still need final works to take place. This should be completed in early 2019. The defects period has commenced on the playground and the team are working with the parks and leisure team to ensure all playground equipment continues to be safe for all to use.

#### Top Quality Playground- Mint Street

33. 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, and the team is working closely with the parks and leisure team to ensure any defects are rectified.

#### London Bridge Portfolio

34. 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.
35. Cabinet received a report on 11<sup>th</sup> December 2018 recommending the addition of a mixed use asset at Courage Yard, SE1 in the vicinity of Tower Bridge to the portfolio. The purchase price is £89m, exclusive of costs and tax (c. £5.2m)

making a total value of £94.2m of which Cabinet funding approval is sought. This is reflected in Appendix C for cabinet approval.

#### Freehold Land Acquisition Old Kent Road

36. Three sites in total are being purchased, two are with legal with the price agreed and their purchase should be completed in this quarter. Whilst a price has been agreed on the third site negotiations are ongoing as to the exact mechanism for reaching a final agreement on transferring the land to the council and this is expected to be resolved within the next quarter.
37. Original estimated purchase price of the 3 sites was £30m. Forecast is now a further £2.033m additional costs bringing the total to £32.033m.

#### Canada Water acquisitions – £3.1m in 2019-20

38. In May 2018 the council formally entered into a Master Development Agreement [MDA] with British Land [BL]. The MDA site also includes the former Rotherhithe Police Station and the Dock offices which were recently acquired by BL. The budget also includes one off payments to meet the council's 20% interest in these additional parcels of land. These costs will need to be met at the point at which the head lease is drawn down and will ensure the council's 20% land value is maintained across the full MDA site. This is currently anticipated to be payable in 2019/20 when the head lease is drawn down. The timing of the draw down of the head lease is subject to planning and other condition precedents being met.

### **Planning and Transport Division**

39. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a combined budget of £12.8m with £12.1m projected to spend in 2018-19 and the balance profiled over future years.
40. The transport planning budget of £9.8m 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 £7.4m is funded mainly by s106 to deliver various projects to mitigate the impacts of new developments, improve public realm, parks and open spaces as well as supporting the commercial viability of local shopping areas.

#### Planning Projects

41. A number of projects totalling nearly £1.3m are currently on site or being developed by the Regeneration Teams which promote the council's programme for supporting high streets. The schemes for East Street (the "What Walworth Wants" programme); Walworth Road; Harper 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 due to complete in December 2018 and the second phase of the programme are currently being developed.
42. Schemes are also under development with the Highways Department on Bermondsey Street, Bermondsey Spa, Lynton Road and Butlers Wharf to be delivered in 2019-20.

#### TfL Funded works

43. TfL schemes are progressing in line with forecast, besides some issues with late billing from the contractor especially on bus improvement schemes (RMP). Cycling programme is progressing well and TfL continue to provide further funding based on Southwark's proven track record of delivery.
44. The capital programme also includes the remaining s106/CIL contribution of £43.7m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.

#### **CHILDREN'S AND ADULTS' SERVICES**

45. The total value of the departmental capital programme for the period 2018-19 to 2027-28 is £176.0m.

##### **Children's Services**

46. The capital programme budget for 2018-19 to 2027-28 is £131.9m. This consists mainly of the £49.0m 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 warm, dry and 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.
47. 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. 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.
48. 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. The first phase of 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 has taken place and pupils moved to the site in January 2019. Phase 2, which includes the 6<sup>th</sup> form centre, is dependent on the NHS relocation and is scheduled to start on site in April 2020 and complete by September 2021.

49. The Primary Schools Refurbishment programme for 2018-19 programmes 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.
50. 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.
51. The report includes a bid for £3.5m of new capital funding for Riverside Primary School, in addition to the schools own resources of £1.1m and S106 of £1.6m, to provide a new teaching block too replace the existing 1960's buildings which has suffered from severe subsidence and cracking, particularly over the past year. A feasibility study has informed the proposed works and these works will also address condition and suitability issues in the main building. Thames Tideway has funded the initial surveys and feasibility study. This scheme will also have a benefit in reorganising some of the teaching spaces and make these more efficient for staff and pupils and reduce maintenance and running costs by having a single annex building to the main school rather than the three remote buildings they currently use.
52. With regard to Spa Camberwell Special School, Part of the Spa Academy, the cost of the project for a new special secondary ASD school of £7.4m and is wholly financed by government grant and managed by the LA and therefore does not feature in the current programme. However, the Council may make a contribution to this project; but this is subject to agreement with the Secretary of State on a range of matters. Moreover in the meantime a plan has been developed to ensure that the additional place provision is available at a separate accommodation from September 2019.
53. Additional SEND capital grant for 2019-20 of £100m nationally has been announced over and above the previous £265m over three years. We are awaiting the announcement of the authority's allocation.

### **Adult Social Care**

54. The capital programme budget for the period 2018-19 to 2028-29 is £44.1m, the main projects being £7.9m in respect of an essential lifecycle capital maintenance programme for the residential care homes operated by Anchor Trust, £5.2m for the Cator Street Older Peoples Hub and Day Centre and £1.8m for new office accommodation in Castlemead. This report also includes two new bids totalling £20.7m in respect of a programme of refurbishments to existing care settings and the provision of an additional bed-based care facility (details below).
55. Preparatory work is under way on the Cator Street 2 site, where the new disability Hub is 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.

56. 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 May 2019.
57. In addition to the £7.9m essential lifecycle capital maintenance programme for the Anchor Trust managed homes, which has been programmed in from 2019/20, some emergency works are being undertaken at the homes in the current year. These are expected to be completed by February 2019 and are forecast to cost in the region of £1.4m. Some fire safety work will continue into 2019.
58. Additional funding of £10.7m is being requested for a lifecycle works programme that covers a wide range of bed-based and community settings. The proposed programme spans 24 properties over a period of ten years and is designed to bring the estate up to a modern standard which will meet the needs of our service users and support the sustainability of the adult social care budget.
59. A bid in the sum of £10m is also included within the proposed programme to facilitate future options to support the need for additional bed-based care within the borough. Officers from across the council are working to identify potential sites and modes of delivery and this item will be subject to an options appraisal and more detailed design analysis as plans progress.

#### **SOUTHWARK SCHOOLS FOR THE FUTURE (SSF)**

60. The capital programme budget for the period 2018-19 to 2027-28 is £9.6m.
61. The main residual item from the Southwark Schools for the Future (SSF) programme is the provision of new accommodation for SILS3. This is due to start on site in January 2019 and complete in July 2020.

#### **ENVIRONMENT AND LEISURE**

62. The total value of the departmental capital programme for the period 2018-19 to 2027-28 is £106.3m. The latest revised budget for 2018-19 is £25.4m and spend is projected to be in line with this revised budget. The budget for future years has been re-profiled in line with the projected expenditure.

##### **Highways**

63. 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 satisfaction results. Spend in the first quarter was ahead of forecast reflecting the momentum gained on non-principal roads in 2017-18 continuing into 2018-19. Spending has continued at the same level in the second quarter. Spend is expected to level off towards the end of financial year. Overall, the budget is forecast to be fully spent by year end.
64. S106 Sturge St, Southwark Bridge money is being supplemented by cycle

funding from TfL. The TfL funding has been prioritised so the S106 has been put back to next year.

65. Some slippage in 20MPH Zone review work due to a combination of delays in consultation and delayed invoicing from the contractor. Actual spend is tracking forecast but approx. 3 months behind profile.
66. The programme to roll out secure cycle parking will increase in intensity in quarter 3 funded by CGS and devolved highway funding, following the award of a new contract, which will also facilitate further investment in this priority in 2019.
67. St Saviours Dock footbridge will be substantially complete by the end of the financial year.
68. The Flood Prevention Programme budget is expected to be fully spent with the completion of the Coleman Road project.
69. Additional capital resources of £16.8m to continue the Council's non-principal road investment programme prioritising works on non-principal roads on a borough-wide basis for the council's 10 year programme and this investment forms the largest part of the annual highway investment programme.

#### **Parks and Leisure**

70. The implementation of the cemetery strategy continues in order to create further burial space and make associated infrastructure improvements. Area B has now been completed and the construction works at Area Z continue. The increased amount of contamination and associated reduction of clean material is likely to result in a budget pressure for area Z.
71. Southwark Athletics Centre: a concept design has been developed with a view to consultation with the planning application to be submitted in February 2019.
72. Major Parks: Burgess Park West will be completed at the end of March 2019. Construction has also started on site to deliver the new café building in Southwark Park with a view to works being completed in the spring 2019.
73. Dulwich Leisure Centre air handling: The contractor is currently on site and works are due to be completed by Christmas.
74. All the above projects are within the parks and leisure capital programme budget with the exception of the risk noted in Cemeteries for area Z.
75. Additional capital resources of £100k to support the delivery of the Cemetery Strategy which was agreed in 2012.

#### **Culture**

76. Grove Vale Library: Internal fit-out of new Grove Vale library was completed and the library was opened in December 2018. The project is on budget and is forecast to be fully spent by year end.
77. Kingswood House: The final phase 3 works commenced in October 2018 and are due to be completed in February 2019. The project has been profiled to be

delivered within the allocated budget and is forecast to be fully spent by year end.

### **Capital Bid – Adventure play**

78. The play service now sits within parks and leisure and there has been significant work in identifying what is required to improve the service offer. There has also been much needed capital investment in the Mint St. site resulting in a quality service offer.
79. There is now the need to improve other sites within the play service portfolio. This proposal relates to Fredericks and Surrey Docks adventure play sites where the majority of play equipment was removed in 2018 as a result of Health and Safety inspections that condemned the play equipment.
80. The capital amount of £500k will enable new equipment to go to Surrey Docks Adventure play and Fredericks and associated ground works. A capital bid is being submitted this is reflected in Appendix C for cabinet approval.

### **Environment and Leisure - Capital Bids**

81. A programme of works had been planned to implement traffic calming measures on the 10 identified priority roads following the post- monitoring speed measurement carried out across the borough. The scope of the works was widened in 2017 to incorporate Transport for London guidelines for Healthy Streets into each of the scheme. The current budgets are only sufficient to implement works to 4 of the priority roads and therefore additional capital budget of £1.5m is required to plan the works for the remaining 6 priority roads over the next 4 years. This is reflected in Appendix C for cabinet approval.
82. Capital resources are required to implement some of the Air Quality Strategy and Action plans approved by cabinet in 2017. These include improved air quality monitoring systems; installation of school streets, air quality improvement projects in the GLA identified Air Quality Focus Areas and delivering some of the outcomes of the planned schools air quality audits. Capital resources are also expected to be required as match funding towards various project bids being submitted by the council from London Mayor's Air Quality Grant. Capital bid of £500k is included in appendix C for cabinet approval.
83. Additional capital bids within Environment and Leisure are being proposed to help deliver the capital programme objectives within the Environment and Leisure business plan including works for flood relief (£719k), CCTV (£320k) and additional cycle storage and moped security (£150k).

### **HOUSING AND MODERNISATION**

84. Overall, the total value of the Housing and Modernisation general fund capital programme up to 2027-28 (10 years) is £83.8m, with spend of £13m forecast for 2018-19.

#### **Traveller sites**

85. Necessary reconstruction works to the railway embankment at the Ilderton Road site has provided the opportunity for reconfiguration and improvement works to

address health and safety and compliance issues. Proposed upgrading works to Burnhill and Brideale sites are also included in the programme at a total estimated cost of £3.5m, for which the council has been successful in securing 50% grant funding from the Greater London Authority.

### **Modernisation**

86. Investment in ICT continues apace and there is a current expectation that the provision of the new data centre will be completed by autumn 2019. The extension to the original target date reflects the complexity and mission critical nature of the task and structured approach necessary to minimise the risk of service outage. In addition to this investment in hardware, work is also underway to renew systems and/or upgrade applications, particularly telephony and mobile working. Total investment on ICT in 2018-19 is expected to be in the region of £5.7m which is slightly below the previous forecast and largely due to re-profiling.
87. The capital programme for CFM focuses on two main areas, the first is investment to ensure that the council's operational estate meets all necessary regularity standards for compliance and remains safe for both council employees and visitors alike. Forecast investment of £0.5m includes both pre-emptive/planned works and remedial works following inspection and assessment. The second focus is on buildings life cycle investment, currently forecast at £1.7m. This sits alongside the council's wider workplace and modern ways of working strategies, with the focus being the rationalisation of the existing estate, modernisation and improvement of those buildings that will continue to support service delivery in the longer term and new provision where appropriate.
88. The current profile for the modern ways of working programme will see significant investment (c. £1.9m) made over the next two financial years, with the emphasis being on the development of smart working environments at strategic operational sites. Decommissioning and disposal of surplus assets remains key to supporting the council's wider capital investment plans.

### **Housing Renewal**

89. 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 £2.3m, of which £1.5m is funded by the Disabled Facility Grant (DFG), received via the Better Care Fund. Following restructuring and consolidation of functions the service is forecast to have a fully committed grants programme this year, with spend forecast to be on budget.

### **HOUSING INVESTMENT PROGRAMME (HIP)**

90. Overall, the HIP is forecast to spend £122.6m, comprising £73.2m on existing stock, £35.3m on new council homes including acquisitions and £14.1m on wider regeneration schemes, which also delivers affordable housing.
91. In October 2018, the Government removed the debt cap on HRA borrowing that had been in place since the introduction of HRA self financing in 2012. Its removal is welcomed and will provide much needed capacity for financing the council's new homes delivery programme. Pressures and constraints on the

planned programme remain however, and it is critical that the emphasis remains on a resource-led approach rather than expenditure-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 foreseeable future.

### **Existing Housing Stock**

#### Warm, Dry, Safe (WDS)

92. 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 this financial year.

#### Fire safety

93. The council has made substantial investment in fire safety since 2009 and in the aftermath of the Grenfell Tower tragedy is undertaking intrusive type 4 fire risk assessments on all 174 high rise blocks and has 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 as part of the periodic electrical testing programme.

#### Quality Homes Investment Programme (QHIP)

94. 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. The 2018-19 programme will be substantially committed by financial year-end and spend is forecast at £46.1m. Preparation of subsequent year's programmes is underway, but given the competing capital commitments it remains subject to review and reprofiling in line with resource availability.

#### Other Major Works

95. The programme covers those estates identified as high need/high cost requiring extensive repair and refurbishment with spend of £13.3m forecast for 2018-19. The new build scheme at Lakanal and works at Portland are on site and works at Maydew, Tustin, Chilton Grove and Damory and Thaxted are programmed to commence during 2019.

### **New Council Homes**

96. The council aims to deliver 2,500 new council homes by 2022, of which 569 have so far been built and 1,931 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. The council has recently been awarded £89.5m of "Building Council Homes for Londoners" grant from the GLA, which will help support the delivery programme. The award was

the third highest in London.

### **Regeneration schemes**

97. Regeneration of the Aylesbury is planned in four phases, demolition at the first development site is underway and expected to complete in 2018-19. Forecast expenditure is £6m with a further £5m on leaseholder buy backs and £0.8m 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 likely.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

#### **Director of Law and Democracy**

98. 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.
99. 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**

<b>Background Papers</b>	<b>Held At</b>	<b>Contact</b>
Policy and Resources Strategy: capital monitoring report, including capital programme update 2018-19 (month 4)	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Rob Woollatt, Departmental Finance Manager, Finance and Governance
<b>Link (copy and paste into your browser):</b> <a href="http://moderngov.southwark.gov.uk/ielistDocuments.aspx?CId=302&amp;MId=6083&amp;Ver=4">http://moderngov.southwark.gov.uk/ielistDocuments.aspx?CId=302&amp;MId=6083&amp;Ver=4</a>		

## APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at Month 8 2018-19
Appendix B	Housing investment programme summary monitoring position at Month 8 2018-19
Appendix C	Budget virements and variations at Month 8 2018-19
Appendix D	General fund programme detail at Month 8 2018-19
Appendix E	New capital bids

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Victoria Mills, Finance, Performance and Brexit	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Rob Woollatt, Interim Departmental Finance Manager, Finance and Governance	
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<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	N/a	N/a
Cabinet Member	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		28 January 2019