

Item No. 2.4	Classification: Open	Date: 27 February 2019	Meeting Name: Council Assembly
Report title:		Capital programme refresh for 2018-19 to 2027-28	
Wards or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATION

That Council Assembly:

1. Agree the recommendations of the 5 February 2019 cabinet for a refreshed general fund capital programme for the period 2018-19 to 2027-28 of £792m, as detailed in the cabinet report attached as Appendix 1;
2. Agree the addition to the general fund capital programme of £3m funding contribution to the Cycle Super-Highway 4 project in the borough (paragraph 10);
3. Agree the recommendations of the 5 February 2019 cabinet for a refreshed housing investment programme (HIP) for the period 2018-19 to 2027-28 of £2,100m, as detailed in the cabinet report attached as Appendix 1.

BACKGROUND INFORMATION

4. The council established a ten year programme in 2006 for capital investment within the remit of the medium term resource strategy and in line with local priorities and the council plan. 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.
5. On 25 March 2015, council assembly agreed a refreshed 10 year general fund capital programme 2014-15 to 2023-24 to the value of £585.6m and a housing investment programme of £1,538.4m. Since then cabinet has approved the refresh of the capital programme on a regular basis through capital monitoring reports to ensure it is fully updated and continues to align with the council's key priorities.
6. The total capital expenditure incurred since 2014-15 including the current forecast spend for 2018-19 is £797m for the general fund and £855m for the housing investment programme.
7. The council plan approved by council assembly in December 2018 is the council's overarching business plan setting the overall policy direction for the period 2018/19 – 2021/22. The plan will guide the development and delivery of, and align with, other key council strategies and plans, over that period.
8. For 2019-20 the council is required to produce a capital strategy report that provides a high level overview of how capital expenditure, capital financing and

treasury management activity contribute to the provision of local public services along with an overview of how any associated risks are managed and the implications for future financial sustainability. The capital strategy is required to be presented as part of the treasury management suite of reports, which are presented for consideration elsewhere on the agenda.

9. On 5 February 2019, cabinet agreed a report on the council's capital programme 2018-19 to 2027-28. A copy of this report with details of the capital programme by department is attached as Appendix 1.
10. Cabinet of 5 February 2019 also instructed officers to review the levels of capital set out in the programme for highway works related to Fairer Future Priorities. Having reviewed the programme, a capital bid of £3m has been submitted to supplement Transport for London funding towards the Cycle Super-Highway 4 project in the borough.

KEY ISSUES FOR CONSIDERATION

Capital Strategy

11. The capital programme for the council is a long term ambition, with the lifetime of new and existing assets stretching far into the future. The obligation for maintaining and improving council dwellings and operational buildings is very long term and as such will be considered accordingly in financial and asset management planning.
12. The 2017 Prudential Code¹ introduces the requirement for an authority to produce a capital strategy to provide a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability.
13. The Code recommends that the capital strategy should include sufficient information about the council's long term capital expenditure expectations, council assets and liabilities in such detail to allow elected members to understand how value for money, prudence, sustainability and affordability will be secured. The Code also expands on process and governance issues associated with capital expenditure and investment decisions.
14. The requirement to produce a capital strategy as per the 2017 Prudential Code is effective from April 2019. However the council elected to produce an early version of the capital strategy, which was agreed by council assembly in July 2018 in advance of this deadline, in order to ensure early consideration of the strategy and the context in which capital and investment decisions are made.
15. The capital strategy is included with the treasury management suite of reports considered elsewhere on this agenda. The strategy focuses on core principles that underpin the council's capital programme; its short, medium and long-term objectives; the key issues and risks that will impact on the delivery of the programme; and the governance framework required to ensure the capital programme is delivered and provides value for money for residents of Southwark. The capital strategy aligns with the priorities set out in the Council Plan and other

¹ The CIPFA Prudential Code for capital finance in local authorities represents statutory guidance

key council strategies. The strategy is integrated with the medium term resources strategy and treasury management strategy.

16. Capital investment plans are driven by the Council Plan, the council's key strategic document that sets out the council's vision, ambitions, values and priorities. Key capital commitments, as set out in the 2018-2022 Council Plan, include:
 - to build more council houses and secure new homes at London Living Rent
 - to build a new library and GP health centre on the Aylesbury estate
 - to open a new, modern leisure centre at Canada Water
 - to open a new secondary school at Borough
 - to build a new library and heritage centre on the Walworth Road
 - to open a new library at Grove Vale in East Dulwich
 - to work with the Mayor of London to build a new pedestrian and cycling bridge from Canada Water to Canary Wharf
 - to deliver new affordable business spaces
 - to open two nursing homes
 - to build extra care housing

Community impact statement

17. The community impact statement is set out in the cabinet report of 5 February 2019 attached at Appendix A.

Consultation

18. Consultation on the overall programme has not taken place. However, each of the individual projects are subject to such consultation as is required or desirable when drawing up the schemes. Some of these will be more extensive than others, for example projects with an impact on the public realm. Some projects, such as those funded by s106 may require consultation with those providing the funds.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

19. Under the constitution the council assembly must 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.

Legislative framework

20. The capital programme 2018-19 to 2027-28 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 INFORMATION

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Cabinet Report 5 February 2019 Policy and Resources Strategy: Capital Monitoring Report, including capital programme update 2018-19 to 2027-28

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Robert Woollatt, Interim Departmental Finance Manager	
Version	Final	
Key Decision?	Yes	
Date	15 February 2019	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Governance	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Support Services	15 February 2019	