

Item No. 14.	Classification: Open	Date: 20 October 2020	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy: capital monitoring report, including capital programme update 2020-21 (month 5)	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Rebecca Lury, Finance and Resources	

FOREWORD – COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE AND RESOURCES

The impact of Covid-19 on our Borough has had far reaching consequences which we could not have foreseen when we set the Budget back in March 2020, and which we expect to continue to have a significant impact on our financial position going forward.

Whilst activity is beginning to recover to former levels, the 2020-21 capital programme will remain substantially below planned expectations, and has therefore been adjusted to accommodate some of the inevitable delays.

In order to provide as much certainty as we can during these changeable times, we have reviewed the entirety of the Capital Programme, to consider those projects which should be prioritised and those areas where we may need to think again about the timescales for delivery.

As such, the reprofiled overall capital programme for 2020-21 is £402m, £179m of which is General Fund and £223m on the Housing Investment Programme.

As ever, we remain committed and ambitious about our ability to deliver major investments and improvements in our Borough, but given the impact of Covid-19, it seems prudent for us to review our areas of investment when so much remains uncertain.

RECOMMENDATIONS

That cabinet:

1. Notes the forecast outturn and resources for 2020-21 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 significant funding requirement of £379m which needs to be identified for the general fund programme to be fully delivered over the remaining term of the programme, as detailed in Appendix A.
5. Notes the significant funding requirement of £98m 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 June 2020 the 2019-20 capital outturn report was presented to the Cabinet. This reported the capital outturn on the general fund programme of £102m and financing requirement (i.e. borrowing) of £64.7m. Spend on the housing investment programme for the financial year 2019-20 was £157m, with £20.2m financed by borrowing.
7. The total programmed capital expenditure over the ten year period 2020-21 to 2029-30 is £559m for general fund and £2,069m 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. The Covid-19 pandemic effectively halted the programme in March 2020. Whilst activity has started to recover, delays and additional were inevitable. 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. This has historically resulted in the capital programme being over-programmed in year, 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.
10. 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

Programme position at Month 5 2020-21

11. The capital programme is detailed within the report and appendices as follows:
 - Appendix A set out the summary of the general fund capital programme 2020-2030
 - Appendix B sets the housing investment programme 2020-2030
 - Appendix C sets out capital programme budget virements and variations for approval
 - Appendix D provides further information on the general fund capital programme 2020-30.
 - Appendix E details new 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

12. Attached at Appendix A is a summary of the general fund capital programme position as at month 5. The total programmed expenditure over the period 2019-20 to 2029-30 is £558.8m. The forecast spend in 2020-21 is £178.8m against a programmed spend of £219.8m.
13. Capital expenditure to the end of Month 5 was £18.1m representing 8% of forecast spend for the year.
14. Appendix C details the budget virements and variations for approval by cabinet.
15. Appendix D provides a breakdown of the programme by directorate and project and the departmental narrative statements (paragraphs 29 to 104) provide further details.
16. 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

17. The housing investment programme is forecasting total expenditure of £2,069m over the period 2020-21 to 2029-30. The forecast spend in 2020-21 is £223m against a budget of £376m. Spend to the end of month 5 was £25m representing 7% of total forecast spend for the year.
18. A breakdown of the schemes and budgets within the housing investment programme is included in Appendix B. Further narrative is provided at

paragraphs 104 to 111.

Resourcing the 2020-21 programme and onwards

19. 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.
20. 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.
21. 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.
22. 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.
23. 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.
24. 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.
25. In the current ten year programme included within this report, there is a forecast shortfall of available funds of £347m to meet the planned general fund capital commitments and £98m to fund the ambitious housing investment programme.

26. 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.
27. 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 2020-21, 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.

Departmental Updates

28. The sections below provide commentary on the budget outturn position by department for 2020-21.

GENERAL FUND (APPENDIX A)

CHIEF EXECUTIVE'S DEPARTMENT

29. The total value of the capital programme for the department over the period 2020-21 to 2029-30 is £210.7m. Project managers have reviewed the progress of the various schemes and budgets have been re-profiled in line with anticipated spend. The projected spend for the year is currently estimated to be £83.8m against the budget of £98.5m

Regeneration Division

30. 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 £133.4m with expenditure of £51.1m projected to be spent in 2020-21 and the remaining spend profiled across future years.
31. A thorough review of the capital programme has been undertaken as part of the Capital Refresh process. This has resulted in a net saving to the capital programme of approximately £47.2 million excluding the new bids outlined below. This is principally made up of projects which have been transferred to the private sector for example Walworth Town Hall and acquisitions which are either no longer proceeding due to commercial negotiations having not been concluded or been achieved at less than budget. Details of all the variances are contained within Appendix C.

32. Walworth Road Town Hall. General Projects who have been selected by the council to take forward the Walworth Town Hall have completed pre application process including public consultation. A planning application to refurbish the building for use as co-working and business start up space with a café and community space was submitted in July 2020 and a decision on the application is expected towards the end of the year.
33. Canada Water Leisure Centre. Planning permission for British Lands (BL) outline masterplan and detailed planning consent for a first phase which includes “plot A2” which is the location for the new Canada Water leisure centre was issued in May 2020. The 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. The planning decision is now the subject of a claim for Judicial Review which is likely to be considered in the next few months. BL are continuing with enabling works for the project. The Judicial Review claim will potentially impact on the programme and spending profile is being kept under active review.
34. Elephant and Castle Open Spaces. Dickens Square: Planning permission has been approved for the scheme. The scheme is currently out to tender with construction anticipated to commence in October. The project is likely to be completed by spring 2020-21. Work on Victory Community Park is also progressing with consultation on the updated concept proposals undertaken in August. Subject to the outcome of consultation and further design development, a planning application for the scheme will be submitted in early 2021.
35. London Bridge Portfolio. Potential addition of income generating assets to replace 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.
36. Looking ahead, one further strategic acquisition to complete the portfolio is anticipated, in line with our commercial property investment policy, subject to review in the present market circumstances and approval of a formal investment strategy as part of the Asset Management Plan.
37. 44 Webber Street. Essential repairs are required to the structure and fabric of this Victorian former school building which is let on commercial terms to the well regarded Centre for Literacy in Primary Education (CLPE). The asset generates a significant income and will continue to do so post-works, at which point we have negotiated the transfer of future repairing obligation from the landlord to the tenant. In the event the repairs are not undertaken urgently the operation of the building will be compromised (impacting rent receivable), and the council will be in breach of its repairing obligation including statutory obligations to maintain this historic building. Contractors are appointed and works will commence imminently.

38. Peckham Library Square (New Bid - £6.6m). Peckham Library Square comprises of two distinct elements. A contribution of £0.9m to fund the gallery as part of the council homes scheme Peckham Gateway which was initially considered an HRA asset and formed Housing Investment Programme, but as it has a wider use, it is more appropriate to be considered as a General Fund asset and its development costs, therefore, to be met from General Fund capital resources. The second element is a budget allocation of £5.7 million for a renewal scheme of the square and surrounding areas as a tangible legacy from the Southwark Stands Together Programme. This is reflected in Appendix C for cabinet approval.
39. The ambition is to deliver a public realm project which will demonstrate the council's learning and development of best practice for community representation and engagement, including those who are often underrepresented in the community. We will aim to ensure that new public spaces are rich in culture and heritage and are sustainable and genuinely owned and enjoyed by local people of all ages. The Square is uniquely located in the heart of Peckham and the project will be expected to use advocates and representative architects to set new standards for effective engagement, including the council's obligations under the Equality Act 2010.
40. 760 Old Kent Road (new bid - £21.6m) - the opportunity has arisen to acquire an income generating asset to support the commercial property portfolio, with longer term potential of the site to support strategic delivery of the Bakerloo Line Extension and the Council's commitment to providing 11,000 new council homes. Approval is requested from cabinet for the budget allocation of £21.60m in line with the latest cost estimates for the purchase of this property. This is reflected in Appendix C for cabinet approval.
41. 21/23 Parkhouse Street (New Bid - £1.1m) - Parkhouse Street is a new council homes scheme. The scheme also includes commercial space. We are asking cabinet to approve the realignment of the budgets for the development at 21-23 Parkhouse Street in line with the latest cost estimates. The effect of this is to increase the Chief Executive's capital programme budget by £1.1m for block A from General Fund and decrease the HIP budget by the same amount for block B, resulting in a revised budget of £3,406,189 to fund the commercial space as part of this scheme from the Chief Executive department capital programme. The combined budget for the programme overall remains unchanged at £14,809,517. The costs are indicative at this stage, with the project subject to planning permission and a tendering exercise. This is reflected in Appendix C for cabinet approval.

Planning and Transport Division

42. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a combined budget of £8.0m with £6.1m projected to be spent in 2020-21 and the balance profiled over future years.
43. The transport planning budget of £4.1m is largely funded by Transport for London (TfL) to deliver transport improvement programme as contained within the borough's movement plan. Planning Projects budget of £3.5m is funded mainly by s106 to deliver various projects to mitigate the impacts of new developments, improve public realm, parks and open spaces as well as supporting the commercial viability of local shopping areas.
44. Planning Projects. A number of projects totalling 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 and Tower Bridge Road have been completed while the; Walworth Road; Lower Road and Rye Lane are currently on site or well advanced in the design phase. However the impact of the COVID-19 pandemic and the government's recent widespread changes to the Planning Use Classes are likely to have a considerable impact on these programmes. The first phase of the part Heritage Lottery Fund (HLF) funded Peckham Townscape Heritage Initiative is complete and the second phase of the programme is now on site with a third phase about to commence.
45. Schemes funded by Neighbourhood CIL are also being developed with colleagues in Highways, Parks and the Regeneration divisions. Surrey Docks Farm has undergone a £0.5m rebuilding programme funded by the local CIL which has greatly expanded their education facilities and improved access from the Thames Path. The local CIL also part-funded the Harper Road shopfronts and public realm improvements. Projects under development include parks such as Little Dorrit in Bankside and Newington Gardens in the Elephant and Castle. Pedestrian improvements in Camberwell and Dulwich have been affected by the COVID-19 pandemic and the need to ensure social distancing in retail areas.
46. TfL funded works. Southwark Cycle Spine works are nearing completion on site with some spend beyond TfL funding forecast, which will be funded from the cycling infrastructure fund capital budget. Kerbside Smarter Streets budget is supporting the council's move to map based traffic orders and supporting the implementation of timed loading bays in the Walworth Rd Area.
47. Design review of Lower Road currently being carried out; however there will be a delay caused by the inability to carry out traffic surveys during lockdown.

48. Funding has been secured through the London Streetscape Programme, enabling the delivery of temporary works to improve active travel conditions and further support social distancing.
49. Elephant and Castle Roundabout Project - The capital programme also includes the remaining s106/CIL contribution of £37.7m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.

CHILDREN'S AND ADULTS' SERVICES

50. The total value of the departmental capital programme for the period 2020-21 to 2029-30 is £144.0m with the forecast capital outturn for 2019-20 being £24.4m.

Adult Social Care

51. The capital programme budget for the period 2020-21 to 2029-30 is £32.1m, the main projects being; £13m in respect of a programme of improvements to existing care settings, £10m for the provision of an additional bed-based care facility and £6.2m for an essential lifecycle capital programme for four residential care homes. There are no additional capital requirements for Adult Social Care identified in this report.
52. The activity on the programmed life cycle work has been considerably affected by the ceasing of all building works because of the pandemic. However, at this stage the work has been re-started and contractors are planning to undertake work on a number of sites in 2020-21 that are in the lifecycle programme.
53. In terms of the Anchor homes lifecycle project as all work stopped due to Covid-19 there have been delays in completing the projects approved in the GW1 for 19/20. It is planned to complete these work in 20/21. A subsequent GW1 was also approved on the 24th June 2020 which approves a further programme of works totalling £2.29m over the next two financial years.
54. The Adult Social Care Capital Board has identified a number of priorities for 2020-21 and beyond to meet current and future needs of vulnerable adults in the borough. The council is actively working with commissioned providers and partners to ensure sufficient capacity and choice of high quality provision across the borough.

Children's Services and Southwark Schools for the Future (SSF) Programme

55. The capital programme budget for 2020-21 to 2028-29 is £84.5m. This consists of a £31.3m development of Charter & Rotherhithe Schools,

£17.5m refurbishment and £11.6m on Beormund Special School. There is a further £10.5m for the rebuilding of SILS K3, £8.5m of which is a remaining commitment from the Southwark Schools for the Future programme. The overall programme is focussed on rightsizing provision, ensuring the estate remains fit for purpose (and also on contributing to addressing high needs provision in the borough).

56. The overall context is that there is spare capacity in the primary sector because of falling rolls relating to a reduced birth rate and a slow down in growth in the secondary sector. Opportunities are being explored for rationalisation of buildings to make the best use of existing assets to reduce running costs for schools. There is also pressure to increase place supply for children with special needs, which is a national pressure.
57. Following the completion of the vast majority projects in school expansion which have now been successfully handed over, the key remaining project on school expansion is at Rotherhithe School, which received planning consent in April 2019 and is targeted for opening in the winter term 2021, although this will likely be delayed due to Covid-19. The enabling works have been completed and the main contractors have started work on site in August 2020. Funding for this project needs to be monitored closely given the absence of basic need grant.
58. Work is progressing well on Charter School East Dulwich phase 2, which includes the 6th form centre. A key aspect of completion is dependent on the NHS relocation. Because of the impact of COVID 19 on the construction industry, the target date for practical completion and handover of phase 2 has been revised to December 2021. In addition work is planned to start this year on the Riverside School project with funding initially coming from the schools own balances.
59. The Primary Schools Refurbishment programme for 2020-21 has made good progress over the summer holidays and is now substantially complete.
60. Air Quality improvement works have been undertaken to Ilderton primary School to improve the air around the school especially from road pollution. These works incorporate a new acoustic boundary screen to the school and the planting of green walls and trees, which has proven to reduce NOX emissions. Works were completed in January 2020. Work is also underway to procure air quality audits of other schools.
61. A Key Priority of the programme is the provision of SEN/ higher needs places, building upon the work at Cherry Garden School and at Park College post 16 provision. Significant work was undertaken at SILS KS3 in 2019-20. However, there has been some slippage in the opening of resource units at COLA and Charter School East Dulwich and Spa Bermondsey (being separately managed). In addition the planned project at SILS KS4 and Beormund School needs to be reviewed given the

change in market conditions, and this may be subject to a future capital bid.

62. Finally, in future there may be capital bids for other priority area such as Adult Learning.

ENVIRONMENT AND LEISURE

63. The total value of the departmental capital programme for the period 05 2020-21 to 2029-30 is £129.7m. The projected 2020-21 outturn is currently estimated at £24.0m against the budget of £34.9m. However, in view of the current COVID 19 pandemic situation and inevitable delays to the some of the projects, a detail review is currently being undertaken with managers to update these projections. Once completed, the updated projected outturn will be reflected in the next capital outturn report to cabinet. The budget for future years will also be updated in line with this review. The progress of major schemes is outlined below.

Highways

64. The Highways capital renewal programme budget for 2020-21 is £5.4m, of which £0.5m is allocated to Devolved Highways. The programme is currently being delivered as per forecast and has included a number of accelerated works which took advantage of the quieter streets resulting from the lockdown. It should be noted that some quarter 1 spend is to be paid in early quarter 2. It is anticipated that the forecast will flatten into quarter 4 and this, in part, is a result of the acceleration of works in quarter 1 but also a result of the frontloading of the programme to take advantage of the HAPS contract rates. The year end out-turn is considered to be accurate.
65. The Principal Roads programme is currently forecast to utilise the overall budget currently set at £0.6m for 2020-21. A number of the schemes are anticipated to commence on site in quarter 3, these schemes are currently in design. Two schemes were completed in quarter 1 including Consort Road and Copeland Road. The year end forecast still considered accurate however the outturn could change subject to the success of the BPRN bid currently under consideration by TfL. This may result in additional schemes being added to the programme.
66. Package 3 of cycle infrastructure fund works are currently on site and progressing well. Design for package 4 was programmed for this year, however due to restrictions on carrying out public engagement to help shape this design P4 has been put on hold pending lifting of restrictions.
67. Works under 20mph zone improvements to Barry Road are now complete with the final account due in Q2. Works to Forest Hill Road are also complete with the final account due in quarter 2. Works to Dulwich Wood Park currently on site, due to complete in quarter 3. Design work for

Sydenham Hill and Brenchley Gardens has been delayed due to design resource being moved to work on COVID-19 recovery schemes.

68. Final works to Rotherhithe New Road are now complete and final account is expected in early quarter 2
69. Southwark School Streets capital funding reprofiled due to the priority to spend time-limited LSP funding instead.
70. St Saviour's Footbridge is now substantially complete within budget and no further costs expected from this capital budget.
71. In the 2020-21 Cleaner Greener Safer funding allocation there were 204 new projects and 58 new grants. As at 14 July there were 343 active projects and 110 active grants. The Covid-19 pandemic has impacted on the delivery of both projects and grants with officers and stakeholders unable to travel to sites, carry out consultations or meet with applicants. This unfortunately has made any meaningful target setting almost impossible. Things are changing and some project delivery is now happening with cycle parking projects a priority due to the increase in demand. The next application round for the 2021-22 funding is planned for September this year. This has been identified as a potential issue as there is the possibility that another year's worth of projects are approved in January 2021 when the majority of this years projects have not yet been delivered or possibly started. The team is trying to work out a way in which the funding round can be held but the amount of pre-decision feasibility work and the number of projects approved for funding in 2021-22 could be reduced. Options may include only approving projects over a certain value threshold or projects which have been developed with the input of other council departments e.g. Parks, Housing etc. This would require the approval of the Multi Ward Forums and consideration must also be given to the organisation of any public meetings regarding CGS applications.

Flood Prevention

72. Coleman Road Flood Alleviation project substantially completed in 2018/19, additional works were undertaken in 2019-20. Currently going through the process of agreeing final account with the contractor. Work is ongoing across the borough as planned to replace dysfunctional gullies.
73. The major project under development is the Lost Peck Scheme. The Scheme which will protect more than 200 homes and business premises is estimated at £1.4m and is expected to be funded by the Environment Agency (EA). Planning approval was granted on 4 March 2020. An outline business case has been submitted to the Environment Agency and funding decision is expected by the end of August after which detail design will start. The scheme is expected to be implemented by the end of the 2021-22 financial year.

74. A number of new Sustainable Drainage Systems (SuDS) schemes are currently under development across the borough mostly in Housing Estates. These include Cameron, Lewes, Mawbey Wakefield and Caversham Houses among others. These schemes together have received £80k funding from the Greater London Authority's Greener City Fund.
75. London Bridge Strategic SuDS pilot project has received about £300k funding by Thames Water, Thames Regional Flood and Coastal Committee and Team London Bridge. The scheme comprising Snowfields and Melior Street and Lewes House were expected to be implemented in 2019-20 but deferred to 2020-21 financial year.

Asset Management

76. Lamp column replacement on the basis of structural integrity and lantern replacement for energy consumption reduction is forecast at full spend and completion of 2020-21 programme. Structural and electrical testing has taken place for full programme and repairs and replacements are programmed.
77. Electric Vehicle lamp post chargers – We are forecasting full spend in 2020-21. Materials have been ordered and relevant site surveys are currently being carried out. Further liaison with GULCS and OLEV for necessary reporting is being carried out by AMS in house.

Parks and Leisure

78. All projects currently in delivery are on budget within the parks and leisure capital programme. The current spend forecast for the Parks and Leisure Capital Programme in 2020-21 is £7m of £12.5m budget. This represents an anticipated budget underspend of £5.5m as a result of programme delays due to COVID – 19.
79. Major Parks and Sports Pitch Provision: Construction programmes for Burgess Park & Brimington Sports Centre hubs are now delayed until quarter 4 of 2020-21. There is a forecast spend of £91k in 2020-21 meaning a 2020-21 budget underspend of £3.5m
80. Cemeteries: Construction work at Area Z commenced in May and is on target to complete in April 2021 with an anticipated spend of £1.83m in 2020-21. Construction is also underway at Nunhead Cemetery East Lodge to partially dismantle and re-stabilise the building. Phase 1 is due to complete in January at a cost of £525k. Phase 2 works is currently being reviewed and re-scoped.
81. Marina Investment: The construction contract to replace the lock gates starts in October with a forecast spend of £983k in 2020-21. Delayed programmes means an underspend of £200k.

82. Leisure Investment: Southwark Athletics Centre, construction programme starts October with a forecast spend of £968k with an underspend of £1.2m in 2020-21 due to programme delay. Similarly, deferred delivery of lifecycle maintenance and SSG disability and outdoor gyms amount to a further £500k underspend.
83. Special Projects: Various projects at Leathermarket Gardens, Pelier Park, Cossall Park and Consort in delivery with a forecast spend of £685k.
84. Infrastructure Investment and Tree Planting: Bridge repair and tree planting programme account for a further £1.2m expenditure in 2020-21 with an underspend this year of £200k.

Community Sport Legacy Fund

85. Officers are currently setting up the framework for the delivery of the community sport legacy fund. It is anticipated that a pilot round will be delivered in this financial year and will be aimed at helping residents access physical activity opportunities in a post COVID environment.

Culture

86. Cultural Services has a capital budget to deliver capital projects including upgrades in library IT infrastructure and delivery of Southwark Heritage Centre and Walworth Library.
87. Southwark Heritage Centre and Walworth Library project is currently on budget. The budget was increased in 2019 to meet increased cost and scope of project to include a mezzanine. The project is progressing successfully and has now been signed off on RIBA stages 1, 2, 3 and 4. The works have been tendered and BW contractors were appointed in early June. Construction and fit out commenced in late July. The project is currently on target to be delivered at the end of 2020 and well within financial year 2020-21. Covid-19 issues may impact on this and it may require further adjustment.
88. Library Infrastructure programme is currently on budget to be delivered by end March 2021. Phase 1 - Procurement and implementation of new Library Management System was completed in February 2020. Phase 2 - Upgrade in RFID self service equipment progressing. New self service kiosks have been procured and will be rolled-out to all libraries in coming months. Project due to be completed within 2020-21. However Covid-19 issues may delay the timescale and it may require further adjustment.

Environmental Services

Carbon reduction Investment

89. The carbon reduction capital programme is currently being reviewed in order to support the emerging climate emergency strategy. The Tooley

Street LED installation project is scheduled to complete in quarter 2 of 2020-21, and further large installations such as Queens Road are being considered. Feasibility is also being carried out to install LED schemes at all our outdoor sports pitches, as well as seeking carbon reduction opportunities within new builds such as Southwark Park sports pavilion.

Air Quality

90. Air Quality Action Plan 2017–2022. Delivery of the Air Quality Action Plan 2017–2022 continues. The Environmental Protection Team (EPT) have submitted the mandatory Annual Summary Report (ASR) 2019. The ASR contains information regarding Southwark’s air quality monitoring data and notes the progress in delivering the Action Plan in the previous year.
91. Solid fuel project – Southwark Project, over winter 2019-20 EPT visited retail outlets in the borough that sell house coal and wood (logs & sticks) as part of an information campaign to inform both the public and retailers about the Southwark Smoke Control Area (SCA) and the legal restrictions on the delivery and use of smoky fuels in the SCA.
92. Air Quality Monitoring Stations. The selection process for a contractor is complete; the formal approval process to appoint the contractor has been undertaken. The contractor is now on site improving and installing the air quality monitoring stations.
93. School air quality audits. The new Capital bid will be spent on grants for schools participating in the Schools AQ Audits. This spend will not likely occur in 2020-21 due to Covid delays to the Schools AQ audit programme.

Mayor’s Air Quality Fund projects:

94. Walworth LEN: public and business engagement phase 1 is complete. Two low cost air quality monitors were co-located with a monitoring station and stabilised prior to deployment. Officers from EPT and Highways have convened a community focus group, to devising specific proposals for the phase 2 consultations. Some of the highway options from the consultation have been brought forward as temporary road changes to improve pedestrian and cycling movement in Walworth Road and to prevent rat running and improve air quality.
95. Air Quality Action Plan & Climate Emergency Delivery Projects. Work has commenced on several elements of this bid spend e.g. employment of a project officer, the communications planning for the Onething air quality awareness programme, to source alternatively fuelled pool cars and to work with housing regrading the boiler emissions reduction project.

HOUSING AND MODERNISATION

96. The total value of the Housing and Modernisation general fund capital programme budget for the ten years to 2029-30 is £96m and comprises a diverse range of activity, mostly of a corporate nature. All areas of the 2020-21 programme have to some extent been impacted by COVID-19 and whilst activity is beginning to recover to former levels, the programme will remain substantially below planned expectations. In-year spend will be around £17.5m against a budget of £30.8m.

Modernise – Corporate Facilities Management (CFM)

97. Investment is targeted at the council's operational estate to ensure it is fit for purpose and statutorily compliant for the safety and wellbeing of its employees and service users. This is achieved through a comprehensive inspection and assessment regime and building lifecycle maintenance programme. Work programmes have been on hold since the lockdown but are now moving forward but will require re-evaluation and re-profiling of priorities and timelines. The spend forecast for 2020-21 is £2.8m, plus a further £2.4m on projects being delivered on behalf of departmental clients who hold the budgets.

Modernise – Queens Road 4

98. The planned development of QR4 has been a key element in the council's office accommodation strategy with a view to rationalising existing office provision into a two-hub model at Tooley Street and the Queen's Road complex. However, the unprecedented workplace changes made in response to COVID-19 has warranted a re-examination of the accommodation strategy and the council has taken the decision to pause the project to consider the longer-term requirements arising from the pandemic. Residual spend of £0.5m is estimated in 2020-21. The budget remains in the capital programme pending review.

Modernise – Shared Information and Communication Technology Service (SICTS)

99. The critical importance of the council's IT infrastructure has never been so amply demonstrated through the response to the COVID-19 pandemic. Investment in IT of £5.8m will continue to focus on upgrading the network infrastructure and internet connectivity together with the cloud migration to Microsoft Azure.

Modernise – Smart Working Programme

100. The programme is scheduled to deliver investment of £6.5m in the planned laptop rollout, workstation refresh in key offices, upgrade to telephony and audio visual capability in support of the council's commitment to modernise the way it works and deliver services and create the flexibility needed to drive greater efficiency and productivity.

Asset Management – Housing Renewal

101. Housing Renewal comprises a range of initiatives that principally support people in private sector accommodation to remain living independently through assistance with repairs, improvements and adaptations to their homes. Support is also provided to landlords and property owners to bring their properties back into use. The programme is largely funded through Disabled Facilities Grant (DFG) and the council's own resources for the provision of grants and loans.
102. Due to COVID-19 the council had to put on hold works across all tenures in March, in line with Government guidance. However, specific measures were put in place to ensure the service could respond to emergency requests for people with life-limiting conditions or to support hospital discharge. Works have now recommenced but the number of adaptations able to be completed this year will be lower than planned. Unspent funding will be rolled forward to accommodate an enhanced programme in 2021-22 and additional DFG resources of £2.6m has been added to the programme up to 2029-30. The projected spend for 2020-21 is £1.5m of which £1.2m will be funded by DFG.

Resident Services – Traveller Sites

103. Reconfiguration and improvement works to address health and safety and compliance issues are well progressed and due to complete in 2020-21 with a projected spend of £0.4m.
104. Phase 2 works at Ilderton Road were a few weeks from completion before the COVID-19 lockdown which caused a delay to the project, but works resumed in June and are now substantially complete. However, this has resulted in additional costs, namely prolonged temporary re-housing, storage of mobile homes and residents belongings and additional safety works identified as the project progressed. The forecast spend for 2020-21 is £0.4m. Planned works at the Brideale and Burnhill sites are subject to review and will be reported to Cabinet in the autumn.

HOUSING INVESTMENT PROGRAMME (HIP)

105. Overall, the HIP is forecast to spend £223m in 2020-21, comprising £77.6m on existing stock, £139.7m on new council homes including acquisitions and site assembly costs and £5.7m on wider regeneration schemes. COVID-19 has had a significant impact on project delivery in the short term, whilst the longer term impact is uncertain in terms of programme costs and resource availability. Notwithstanding, the council remains committed to substantial investment in its existing housing stock and building new council homes. This level of investment will inevitably require borrowing, specifically for the new homes programme and investment in the council's heat network, which cannot be sustained through the revenue budget. At the same time, the council must ensure

the HIP remains sustainable and affordable. Maintaining prudential levels of borrowing will require continuous monitoring, review and where necessary, re-profiling of programmes and projects in line with resource availability

Quality Homes Investment Programme (QHIP)

106. QHIP is the principal strand of the council's asset management strategy for maintaining and renewing the existing housing stock and is the successor to Warm, Dry, Safe (WDS). 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 2020-21 is forecast at £54.3m. This represents a significantly lower forecast than anticipated due to the pandemic, which resulted in significant delays across most schemes. As yet, internal works, including the kitchen and bathroom programme, have not resumed. However, survey and design work has now restarted and external works across the borough are continuing. In light of other programme commitments and borrowing capacity, further re-profiling of QHIP in subsequent years will be necessary. This will be detailed in the update to the current Asset Management Strategy, which will be refreshed by the end of 2020-21.

Heat Network Strategy

107. The council's Heat Network Strategy recognises the substantial investment required in its ageing heat network. Running alongside this is the council's ambitious commitment to be carbon neutral by 2030. A report commissioned in 2016 by industry experts Parsons Brinckerhoff estimated investment of £100m over ten years and a total of £350m over forty years would be required to address the situation. The programme to deliver the strategy is currently being developed and based on that advice an additional £300m (over and above the £50m already in the HIP) has been set aside towards meeting this commitment. This is an initial estimate and both the amount and spend profile are subject to change as the programme becomes better defined. Resident engagement and investment modelling are now underway. Spend in 2020/21 is forecast at £5.9m.

Special Schemes

108. The special schemes programme covers those estates identified as high need/high cost requiring extensive repair and refurbishment and also includes the Type 4 fire risk assessments. The schemes by their nature are complex and resource intensive and require bespoke funding solutions outside of the main QHIP programme. Programme spend of £23.8m has been identified through to 2029-30, with £9.3m spend forecast in 2020-21, principally for the Tustin estate. Programme spend will increase as other schemes, such as the Ledbury estate tower block are progressed.

New Council Homes

109. The council aims to deliver 2,500 new council homes by 2022, with 682 having been built so far. Projects are on site to deliver a further 292 council homes and schemes to deliver a further 754 have received planning permission. Achieving the longer-term commitment to build 11,000 homes by 2043 will require more land for development than is currently available and this is reflected in the HIP with resources earmarked for site assembly. The current spend forecast for 2020-21 is £75.8m on new homes and £63.9m on site assembly and acquisitions, although this is subject to timing and remains flexible in order to enable the council to avail itself of market opportunities. As approved by Cabinet on 14 July 2020, the HIP now includes an allocation of £138.5m towards the cost of delivering 581 new council homes on the First Development Site at the Aylesbury Estate.

Regeneration Schemes

110. Forecast spends on regeneration schemes for 2020-21 is £5.7m. The most significant regeneration scheme is the Aylesbury estate, which is planned in four phases. Forecast expenditure in 2020-21 is £3.6m which is almost exclusively for acquisitions. 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.
111. Phase 3 environmental works on the East Dulwich estate, which commenced last year, is forecast to spend £1.4m. The scope of the works includes playground refurbishments and new communal gardens, new car parking areas and pedestrian paving, new planting across the estate and minor drainage works.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

112. 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.
113. 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.

REASONS FOR URGENCY

114. The council regularly updates Cabinet on the capital monitoring position. This is vitally important in the current circumstances of the Covid-19 pandemic, and its financial impact on the councils overall financial position.

REASONS FOR LATENESS

115. We continue to monitor and review the financial impact of the pandemic on the council's overall capital programme and financial position in the context of the latest government announcements. As coronavirus cases continue to rise exponentially, the government announced on 12 October 2020, further local targeted restrictions, based on a three tier system, to prevent another national lockdown.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy: Capital monitoring outturn report 2019-20 and Capital Programme Refresh for 2020-21 to 2028-29	Southwark council Finance and Governance 160 Tooley Street London SE1 2QH	Rob Woollatt, Departmental Finance Manager, Finance and Governance
Link: http://moderngov.southwark.gov.uk/documents/s89251/Report%20Capital%20Outturn%202020-21.pdf		

APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at Month 5 2020-21
Appendix B	Housing investment programme summary monitoring position at Month 5 2020-21
Appendix C	Budget virements and variations at Month 5 2020-21
Appendix D	General fund programme detail at Month 5 2020-21
Appendix E	New capital bids

AUDIT TRAIL

Cabinet Member	Councillor Rebecca Lury, Finance and Resources	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Rob Woollatt, Departmental Finance Manager, Finance and Governance	
Version	Final	
Dated	15 October 2020	
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 of Finance and Governance	N/a	N/a
Cabinet Member	Yes	
Date final report sent to Constitutional Team	15 October 2020	