

Council Assembly

Wednesday 23 February 2022

7.00 pm

Council Offices, 160 Tooley Street, London SE1 2QH

Supplemental Agenda No. 2

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Date: 18 February 2022

APPENDIX 2

Item No.	Classification: Open	Date: 1 February 2022	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy: capital monitoring report, including capital programme update 2021-22 (month 9)	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Rebecca Lury, Finance, Performance and Democracy	

FOREWORD – COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE, PERFORMANCE AND DEMOCRACY

As ever, we remain committed and ambitious about our ability to deliver major investments and improvements in our Borough.

Covid-19 has impacted on our proposed projects over the last 18 months, and we expect will continue to impact in this financial year.

We previously 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. The outturn forecast remains substantially below planned expectations, and the programme has therefore been adjusted to accommodate some of the inevitable delays.

We are publishing this updated version of the Capital Programme to assist in presenting a holistic picture of the scale of investment made through our capital and revenue budgets to deliver tangible outcomes for our residents. It is clear from this report that we are committed to tackling the climate emergency and are putting significant resource into supporting residents going forward.

RECOMMENDATIONS

That cabinet:

1. Notes the forecast outturn and resources for 2021-22 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 and the new capital bids contained within this report and summarised at Appendix E;

3. Notes the significant funding requirement of £305m 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;
4. Notes the borrowing requirement of at least £1bn for future years for the housing investment programme to be fully delivered over the remaining term of the programme, as detailed in Appendix B.
5. Note the significant contribution the capital programme is making towards the objectives of the council's climate change strategy (see para 19-20).

BACKGROUND INFORMATION

6. On 14 September 2021, the 2021-22 Month 4 Capital Monitoring report was presented to Cabinet. This reported programmed general fund expenditure of £478m over the 10 year programme and an in-year forecast of £138.9m against programmed spend of £204.9m. The Housing Investment Programme stood at £2.1bn with an in-year forecast of £347m against programmed spend of £458m.
7. The estimated borrowing requirement amounted to £311m on the General Fund and £876m on the Housing Investment Programme.
8. The scale of the capital programme is immense, representing a major element of the council's financial activities. It has a significant and very visible impact on the borough and hence on the lives of those who live, learn, visit and do business in the borough.
9. Due to the size and scale of the programme and the number of projects involved, it is inevitable that unforeseeable delays can occur which lead to some variations against planned spend. Actual resources may also vary to the plan, due to, for example, a delay in the sale of a property, or an external development with s106 or CIL obligations not being brought forward as quickly as anticipated. 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 24 February 2021 the council assembly noted the refreshed 10 year general fund capital programme and housing investment programme (HIP) for the period to 2029-30. 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 8 2021-22

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 2021-2031
 - Appendix B sets out the housing investment programme for 2021-2031
 - Appendix C sets out capital programme budget virements and variations for approval
 - Appendix D provides further detail on the general fund capital programme 2021-2031.
 - Appendix E provides details of new bids.

General Fund

12. 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 2020-21 to 2030-31 is £495m. The forecast spend in 2021-22 is £107m against a programmed spend of £142m.
13. Capital expenditure to the end of Month 8 amounted to £36m representing 33% 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 30- 114) 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 £2.2bn over the period 2021-22 to 2030-31. The forecast spend in 2021-22 is £252m against a budget of £348m. Expenditure to the end of month 8 amounted to £112m representing 44% 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 106 to 114.

Climate change implications

19. This report provides an update on the council's capital programme as a whole. The impact of individual projects and programmes will be considered in line with constitutional requirements as part of the specific decision making and procurement processes.
20. The capital budget strengthens the council's commitment to tackling the impact of climate change. As well as creating a £25m capital fund, the council has made significant progress across the individual capital programme projects to achieve energy efficiencies and reduce carbon emissions. For example, projects are ongoing to install roof top solar panels, improving glazing and insulation and replacement of gas fired boilers with a focus on decarbonising community buildings, schools and social housing. Over 40% of lighting has been upgraded to more energy efficient lighting in shopping areas, school streets and areas of high footfall and residential roads. Further investment is planned to upgrade 100% of the borough's highway lights to LED efficient lighting.

Resourcing the 2021-22 programme and onwards

21. 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.

22. 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.
23. 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.
24. The shortfall in available capital resources is financed from borrowing and will be funded from revenue contributions to support the debt costs over the life of the debt repayment.
25. The treasury management strategy has been to defer external borrowing, borrowing only when needed for liquidity purposes. Whilst this strategy has worked well for the council, saving over £20m since 2011, the increase in capital spending can no longer be financed entirely from internal borrowing. Accordingly since 2017-18 the council has needed to borrow externally to finance previous capital spending and to maintain target cash balances.
26. The make up of the capital programme is significantly influenced by the scale of resource availability from grants, s106, community infrastructure levy (CIL) and capital receipts and their timing. Over the life of the programme, all commitments must be met from anticipated resources. In the event of any shortfall in resources to fund the programme in any particular year the council would need to consider the use of prudential borrowing to bridge the gap. The cost of servicing the debt will be a charge to the revenue budget and funded from savings and/or returns on investments.
27. In the current ten year programme included within this report, there is a forecast shortfall of available funds of £304m to meet the planned general fund capital commitments and a borrowing requirement of £1bn to fund the ambitious housing investment programme.
28. In addition, proceeds from capital receipts are continually kept under review especially for sales and development agreements. Financing will require careful monitoring of commitments and a drive to secure the forecast capital receipts and other resources as planned over the rest of the financial year. As part of work to review capital financing, a review of s106 has been undertaken to identify where contributions can appropriately be utilised to

support the capital programme, subject to the agreement of the Planning Committee.

29. In developing and managing its capital programme the council has to maintain clear control of 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 2021-22, 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

30. The sections below provide commentary on the budget forecast position by department for 2021-22.

CHIEF EXECUTIVE'S DEPARTMENT

31. The total value of the capital programme for the department for the period 08-2021/22 to 2030/31 is £172m. The projected 2021/22 outturn is £41.2m against the budget of £62m.

Regeneration Division

32. The regeneration division (comprising of 4 project areas namely Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services) have a combined budget of £133.19m with expenditure incurred to the end of November 2021 amounting to £11.70m.

Walworth Road Town Hall

33. GP are in the process of finalising the appointment of a main contractor and are still confident that works to regenerate the buildings will start on site in Q4 this year with practical completion in 2024.
34. The process to recruit the chair and membership of the management body for the community space has concluded and applications are in the process of being assessed. The management body once formed will have responsibility for appointing an operator to run the facility on a sustainable financial basis. It is currently anticipated that membership of the board will be concluded in the new year allowing work to start on finalising a brief for the appointment of an operator.

Canada Water Leisure Centre

35. The council's new Leisure Centre which will replace Seven Islands is to be located on plot A2 within the British Land Canada Water Masterplan. British Land have now appointed Mace as the main contractor for the project. The current programme anticipates that the new leisure centre will be open to the public in 2024/25.

Elephant and Castle Open Spaces

36. Dickens Square/ Dickens Fields: Practical completion & handover were completed on 19 August 2021 and the new space has been successfully opened to the public.
37. Victory Community Park –The programme for this scheme is currently on track. Consultation on the developed design took place during May–July and a planning submission followed in August. Permission is expected by the end of the year with construction programmed for January May 2022.
38. Nursery Row: Approval of PID in February 2021. Public consultation on proposals for the park is now underway.

44 Webber Street

39. Essential repairs have recently been completed 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. This has been a complex project and as at month 12 some degree of overspend is anticipated, in 2021/22. The final outturn figures are in negotiation with our advisors and the contractor and may be the subject of arbitration.

Voluntary Sector Strategy

40. Voluntary Sector Strategy entails necessary works to VCS buildings, and in particular the refurbishment of Sojourner Truth Centre to be completed in 2021/22. Additional projects have been identified and are being appraised – 12a Asylum Road, Wells Way, 177 Abbey Street. If the council is to retain the buildings it will need to invest (potentially with the benefit of grants on match funding basis) to avoid them becoming unusable liabilities. We propose to develop individual capital bids for these and some

commercial assets in a similar position. The options are being reviewed and cabinet will be updated in the next capital monitor report.

Pullens Yard Improvements - £912k (New capital bid)

41. Pullens Yards Improvements an ongoing project to achieve minimum fire safety compliance in old workshop premises integral with tenanted and leasehold residential premises. The project is underway, on a unit by unit basis, with all existing funds committed. To achieve full compliance we need to budget for works to 23 more units, plus ancillary works, over the next three years (including the current one) - a total requirement of £912,000, 2021 - 2024. A bid for capital is being made in this round of bidding. This capital bid is also reflected in Appendix C and is submitted for cabinet approval.

Void Shops - £1.5m (New capital bid)

42. Void Shops now unbudgeted. However, these are essential works to ensure that shops meet minimum statutory, safety and environmental performance standards. If capital cannot be made available to continue the programme either the costs will need to be met from income (primarily HRA revenue), or the shops will become unlawful to let. We expect to see more commercial premises becoming vacant as the economic impact of the Covid-19 pandemic comes to bear and rent recovery action resumes. Based on our expectation of 30 units per annum there is an investment requirement of £500,000 per annum, a total requirement of £1,500,000, 2021 - 2024 - For the time being this remains as a potential budget pressure if unfunded. A bid for capital is being made in this round of bidding. This capital bid is also reflected in Appendix C and is submitted for cabinet approval.
43. The council completed the MDA in December 2020 and planning permission has also been secured. Once the agreement was completed the council was required to make payments to British Land to meet the cost of its 20% share of the former Rotherhithe Police Station site and Dock Offices sites. These parcels of land form part of the development site and planning consent. In addition a payment was also required to meet costs arising from development of the scheme to date. These payments have now been made ensuring the council retains its 20% share in the MDA site and plot investment options.

Council Depot Improvements and Rationalisation -£5m (New Capital Bid)

44. There was previously a scheme to rationalise the Council Depot functions over their three sites, Copeland Road, Frensham Street and Sandgate Street. The opportunity has now arisen to create a new access to the Copeland Road site as the temporary accommodation block is now surplus to requirements and no longer suitable for long term use. This provides the means to improve the use and efficiency of the site, removing any conflict with the Go Ahead buses.
45. This is timely because it also coincides with negotiations with Go Ahead London on the renewal of their lease. Go Ahead are also expected to bring forward proposals for electrification of their bus fleet including the electrical supply to the site, which could in turn benefit the council from a carbon zero perspective in terms of the electrification of its vehicles.
46. All the buildings on the Copeland site are in need of improvement and update and some are underused. It is also proposed to revisit the use of the other two depots and specifically the Sandgate Depot to determine the improvements that could be made to the working conditions for staff and the operational efficiency of the site. This will take account of the new ways of working to ensure that the accommodation is flexible for future use.
47. A bid is made to undertake demolition and access works in 2022/23 of £600k with the balance being set aside for 2023/24 to develop a series of improvements and rationalisation of services in consultation with staff. This will include infrastructure improvements and opportunities for electrification should lease negotiations with Go Ahead be concluded successfully. The scheme is expected to produce revenue savings in future years in terms of operational efficiency of Depot functions. This capital bid is reflected in Appendix C for cabinet approval.

South Dock Marina - Essential Works- £3m (New Capital Bid)

48. Since October 2020, the E&L and Regeneration Departments have been working to create a vision for the boatyard, marina and Greenland Dock. A lot of work has taken place around future proposals for the site including proposals for a full redevelopment of the boatyard comprising of provision of new council homes on part of the boatyard site, increased provision for marine based businesses, relocation of the current dock office to the boatyard site and provision for new council homes on part of the boatyard site.
49. Following a review of the council priorities a decision has been taken to

progress with the essential works required to the boatyard and improvements to the marina to form the first phase of the works. The current facilities on site are in poor condition and it is poorly positioned within the boatyard site. The health and safety works to address these concerns comprises of:

- Demolition of the existing facilities block and replace with a pre-fabricated toilet and shower block and placed in a more suitable / safe access position.
 - Reposition the containers currently on site and create staircases / walkaways which are compliant with building regulations and fire safety
 - Upgrade of the electrics to both the boatyard and marina to cope with the electrical demand on site
 - Enhance the ground (identified in the structural report) so it can take the structural load required of the boatyard
50. These essential works will improve the facilities on site and increase potential income streams whilst forming the foundation for the subsequent phases of work and future vision of the site which will include expansion of Greenland Dock. This capital bid is reflected in Appendix C for cabinet approval.

Transport Division

51. The transport planning budget of £3.13m is largely funded by Transport for London (TfL) to deliver transport improvement programmes as contained within the borough's movement plan.

TfL Funded Works

52. TfL funded projects are on track with the majority of budgets either at full spend or on track to achieve full spend as forecast. Support for ETO process is currently showing an overspend, however it has been agreed with regulatory services that this can be offset with the camera revenues that the introduction of these schemes has created.
53. The £65k for the Rotherhithe to Peckham Cycle Connection for 2021 FY has been committed to the design consultant and work is currently nearing completion.
54. Works for cycle hire expansion have been delayed. Scoping work has been submitted to TfL and requires them to provide their approval for

implementation in order to proceed to the next stage, this approval has not been received in time to allow the works to be carried out this year. Approval has now been received and planning applications submitted. Forecast revised to move capital works into spring 2022.

Elephant and Castle Roundabout Project

55. The capital programme also includes the remaining s106/CIL contribution of £32.72m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.

CHILDREN'S AND ADULTS' SERVICES

56. The total value of the departmental capital programme for the 10 year period from 2021-22 to 2030-31 is £109.7m with £30.2m forecasted to spend in 2021-22.

Adult Social Care

57. The capital programme budget for the period 2021-22 to 2030-31 is £31.8m, the main projects being; £15.4m in respect of a programme of improvements to existing care settings, £10m for the provision of an additional bed-based care facility and £5.4m for an essential lifecycle capital programme for four residential care homes.
58. The activity on the programmed life cycle work has been considerably affected by the pandemic. This resulted in some delays in the planned work on a number of sites. However work has recommenced as refurbishments started in Alma Grove, Therapia Road, and Mount Adon Park with a 2021-22 forecast of £0.6m.
59. Lifecycle work on Residential homes were also affected by Covid-19, however as the programme is now resuming, the expected spend on homes is revised to £1m for 2021-22. While larger projects, such as refurbishment of lifts, windows and pipework are restarting, it is worth noting that the continuing uncertainty around the pandemic might affect planned works during this financial year.
60. The Adult Social Care Capital Board has identified a number of priorities for 2021-22 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

61. The Children's Services capital programme budget for 2021-22 to 2030-31 is £75.3m. This consists of £14.6m for the schools refurbishment programme as well as certain specific projects such as £15.2m for Rotherhithe School, 11.1m for Charter school, and £11.6m on Beormund Special School. 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). Rising construction prices related to Covid and Brexit are affecting the capital programme by increasing demands on existing resources with construction prices rising in excess of 5% per annum and some materials in short supply.
62. There is an additional £2.6m remaining in the Southwark Schools for the Future Capital Programme including the remaining budget for the rebuilding of SILS KS3.
63. The overall context is that there is spare capacity in the primary sector (spread unequally across the borough) because of falling rolls relating to a reduced birth rate, exasperated by Covid-19 and a slowdown 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 pupil places for children with special needs, which is a national issue for all education authorities. The school expansion projects have now been successfully handed over with Charter School East Dulwich being the only key remaining project currently onsite. This includes the sixth form centre and resource base with a targeted completion date of September 2022.
64. The main works on Rotherhithe School are progressing well, and target completion and decant into the new school is scheduled for February 2022, with demolition of the existing school and landscape works to follow, completing in July 2022. In addition, design work on Riverside Primary School is underway to re-provide defective early years classrooms, dining and safe access into the school, with work anticipated to start on site in 2022. Both Riverside and Beormund may need additional capital investment to complete the projects. These projects are being evaluated and will be brought forward if recommended by officers.
65. Any proposals to rationalise the supply of school places to ensure schools

can operate their buildings economically may require capital investment from 2022-23. The potential need for any future investment will be brought to a future Cabinet assembly as appropriate.

66. The Primary Schools Refurbishment programme for 2021-22 is now substantially complete with the majority of the refurbishment works having occurred during the school holiday period. Planning is underway for the 2022-23 programme. Under this programme, the decarbonisation strategy for the school estate will be developed to plan for the move away from using fossil fuels in the heating of schools.
67. 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. However, there has been some slippage in the opening of resource unit at COLA and the planned project at SILS KS4 needs to be reviewed given the delay caused to the new homes scheme and the re-provision of SILS KS4 as part of this project. This may be subject to a future capital bid.
68. The project aimed at increasing in-house fostering capacity for the Children and Families Division has been completed. The division is currently in progress of developing proposals for Children's residential home within the boundaries of Southwark. This may be subject to a future capital bid.

ENVIRONMENT & LEISURE

Summary

69. The total value of the departmental capital programme for the period 08

2021/22 to 2030/31 is £143.7m. The projected 2021/22 outturn is £21.8m against the budget of £29.4m. The budget for future years has been re-profiled in line with the projected expenditure.
70. The progress of major schemes is outlined below.

Highways

71. The NPR Programme spend at the end of month seven is 61% of total budget and on track to meet forecast just before the end of FY with no overspend expected. The forecast final outturn remains the same at £3.4m for capital renewals and £600k for Devolved Highways.

72. The Principal Roads programme spend is currently at 37%, however all remaining works are complete with the final account expected in December and full spend by end of January 2022.
73. Completion of works under the cycle infrastructure fund works in the Rye Lane area are now being mobilised and full spend will be achieved by the end of this financial year.
74. The start on-site date for Cycle Superhighway 4 has been revised to January 2022, so the previously forecast top up to TfL funding from the capital budget will not be required this FY. The forecast has been revised accordingly.
75. Works outside Belham School under the school expansion programme were programmed for Easter and money was brought forward to cover this, however due to issues identified in the final stages of the design, which will require further work, this now looks unlikely and so will need to be moved back to the school summer holidays, therefore the current forecast is likely to need to be revised.
76. The forecast for the Southwark School Streets programme for this year has been slow to start, however once issues around the procurement of new cameras have been resolved there will be an increase in spend towards the end of the FY. Full spend still forecast.
77. Cycle Hangers programme is currently behind forecast but it is still expected to hit the council plan target for the number of installs by end of March. However other funding sources have been prioritised and are likely to provide sufficient funding to meet targets. As such the actual outturn for this capital budget is likely to be below the current forecast.
78. New budget line for Highways CIL Projects has now been accurately forecast through to 2024.
79. St Saviour's Footbridge is now substantially complete within budget and no further costs expected from this capital budget.
80. Cox's Walk footbridge works have been delayed and the scheme is being reviewed.
81. 275 Cleaner Greener Safer applications were received for the 2022/23 round and applicants will be invited to present their proposals at one of the five multi ward area presentation meetings in late November / early December / early January. Devolved Highway Budget and Neighbourhoods

Funds applications will also be presented at the same meeting. Councillors will announce the successful proposals at the multi ward area decision meetings in February/March 2022.

82. The team is hard at work getting the new projects off the ground and dealing with the slight backlog of last year due to Covid.

Asset Management

83. The programme for Lamp column replacement on the basis of structural integrity and lantern replacement for energy consumption reduction is forecasted for full spend. Structural and electrical testing is currently taking place. Materials have been ordered and works are now on site. Commercial journals are to take place in M8, to ensure costs are captured on Capital code.
84. Electric Vehicle lamp post chargers – The planned programme of 50 charge points is forecasted for full spend. All sites have now been selected and materials have been procured.

Parks and Leisure

85. The adjusted spend forecast for 2021/22 on the Parks & Leisure Capital Programme is £7.4m with spend to date of £2.1m. The programme includes 32 individual projects in delivery. The majority of spend to date relates to the construction of Southwark Park Sports and Athletics Centre which completes in December 2021 and the tree planting programme.
86. Remaining spend is for a range of projects that will be in construction from December 21 to March 2022.
87. The most significant expenditure in the 2021/22 programme forecast is contained within following projects:
- Southwark Park Sports and Athletics Centre (£1.6m)
 - Burgess Park Sports Pavilion and Pitches (£2.2m)
 - Replacement Tree Planting (£750k)
 - Infrastructure and Investment (£500k)
 - Cossall Park – Construction (£361)
 - South Dock Marina Lock Gates (£261k)
 - Leisure centres Lifecycle maintenance (£250k)
 - Pelier Park – Construction January – May 2022 (£237k)

- Active Southwark, Outdoor Gyms & Flexible Swim & Gym (£220k)
- Nunhead East Lodge – Interim structural works (£209k)

88. Site surveys and initial stakeholder consultations have been completed for the Adventure Playgrounds project with wider community consultation planned from Spring 2022.

Culture

89. Southwark Heritage Centre and Walworth Library project opened on 19 April 2021. Some snagging issues are still being dealt with and will be completed by end of defects period in Dec 2021. The project is on budget and final account will be completed at end of Dec2021

90. Library infrastructure & IT projects - Rollout & implementation of new RFID self service kiosks was delayed due to Covid19. This was implemented and completed in October 2021. Final payments being processed and should be completed by December 2021

Youth Services

91. Detailed proposals for a total of £154k expenditure have now been agreed by the Cabinet Member and will be delivered by the end of the financial year. This includes:

- the development of a Digital Hub for easily accessible and provision of comprehensive, up to date and relevant information about activities and services for young people and their families.
- Digital Kiosks for Youth centres - This will ensure youth centre staff spend more time supporting and working with young people. It will also allow the collection of comprehensive service use data and intelligence to be used for continuous service improvement ensuring the service delivers the right activities at the right times.
- Hublets for Youth centres - Hublet is a self-service, shared tablet. This will enable young people to access a tablet when they visit the youth centres – this could be used in a variety of ways e.g. be to help find training opportunities, general research, entertainment etc.

92. Further capital spend proposals are currently being costed and include a music studio, mobile phone charging stations, plasma information screens and lounge areas amongst others. These are currently being worked up and it is expected that figures on costings will be available for the next reporting period

Environmental Services

93. The carbon reduction capital programme is currently being reviewed in order to support the emerging climate emergency strategy. The Tooley Street installation has now been completed, with associated spend (c. £750,000) expected by end of Q4, 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.

CAPITAL BIDS

Memorial capital growth bid - £2m

94. Over the last few years a programme of memorial refurbishment has been undertaken with a total of 54 memorials having been rebuilt at a cost of £557,000. A condition survey was carried out in 2016 identifying the memorials that were the most dangerous in accessible areas and a works programme was put forward to address these in partnership with our colleagues in the Parks section. Funding was made available internally for these works through a previous growth bid, however this funding has now been fully utilised. Further deterioration has occurred and the total number of accessible dangerous memorials requiring works has increased substantially. A capital bid has been submitted to continue the essential works to unsafe memorials in the council owned cemeteries and on the public highway. This will address all identified accessible high-risk memorials to avoid closing further sections within the cemeteries or removing numerous dangerous memorials on the grounds of safety. The capital bid proposes to carry out works to the value of £2m over the next 5 years. This capital bid is also reflected in Appendix C and is submitted for cabinet approval.

Libraries IT infrastructure & maintenance improvements - £1.2m

95. Capital bid needed to update and refresh critical Library IT systems and hardware including refresh of public network desktop PCs for customers accessing online services. This includes hardware kit replacement which is now reaching end of life. This is a heavily used service with 230 public PCs across the library service. Service average is 65% take up for adult use, 35% for children use (hours available against bookings). The capital funds are to be spread over 10 year period to include longer term projects

including replacement of PC booking kiosks, security gates/people counter systems, improvements in wi-fi to enable wireless printing, improvements to self-service equipment including cashless payments for customers. This budget will also be used to refresh staff PCs, self-service and library management database systems all of which will be reviewed in the next 7-10 years. Other IT improvements required for library innovation include laptops and digital tablets for customer use and upgrades in hardware and technology used in library meeting rooms.

96. Other capital improvements are also required across the library estate including replacement of fixtures and fittings at multiple library sites. Capital required for the purchase of new books and IT equipment for enhanced digital services to support the new Una Marson library due to open in 2022. We are also scoping a new facility for delivery of the Kingswood library offer. The capital bid is requested to carry out works to the value of £1.2m over the next 10 years. This capital bid is also reflected in Appendix C and is submitted for cabinet approval.

Air Quality Measures

97. A capital bid of £0.500m is to be used to support the general improvement of air quality across the borough with some specific work around the council's school buildings. This will add to the air quality projects that are being undertaken in the borough. This will include the installation of air filters and purifiers in school classrooms, monitoring of air quality and supporting the 'walk to school' initiative and thereby reducing the number of car journeys.

HOUSING AND MODERNISATION

General Fund

Overview

98. The total value of the Housing and Modernisation general fund capital programme for the ten years to 2030-31 is £69.5m and comprises a diverse range of activity, mostly of a corporate back-office nature, which supports wider service delivery across the council. The nature of capital investment means that the complexity and inter-dependencies with other work streams can lead to slippage and re-profiling, as is the case this year, in order to deliver optimum service outcomes and best value. Expenditure for 2021-22 is forecast to be £13.5m. The key headlines are outlined below.

Asset Management - Housing Renewal

99. Housing Renewal comprises a range of initiatives that principally support private sector residents 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.
100. As from April 2021, the full range of services resumed and changes have been made to the DFG process to streamline the system and reduce any unnecessary delays. So far this year, 37 cases have been completed, with 79 cases approved, on site or nearing completion and a further 46 cases currently at the initial application stage or out for tender.
101. As part of the council-wide review of empty homes, the current funding regime has been reviewed with recommendations to increase the value of grants & loans available to incentivise property owners to bring properties back into use. Following approval, a publicity programme will be put in place in the new year to promote the availability of the grants and loans across the borough.

Asset Management - Corporate Facilities Management (CFM)

102. Facilities management investment targets 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, designed to enhance their life and maintain asset value. The nature of the pandemic has meant that the programme has not progressed as planned with a lower forecast of £4.1m for lifecycle and compliance related projects, along with £1.3m delivery on public sector decarbonisation schemes. This funding will be used to install air source heat pumps, solar panels and improved insulation at a range of council-owned buildings which will contribute to the council's net zero carbon reduction target. In addition, CFM provide professional support to service departments across the council on capital investment projects to an estimated value this year of £1.2m.

Customer Experience – Technology and Digital Services (TDS)

103. TDS continues to support and manage the investment in the council's IT

infrastructure that is critical to improving the on-line experience for residents and enabling them to access the services they need. While the current spend forecast is £3.6m for the delivery of key programmes comprising website replacement, applications transformation, applications migration and Wi-Fi connectivity, the pandemic continues to have an impact on operations and may see plans for 2021-22 slip into the next financial year.

Customer Experience – Smart Working Programme (SWP)

104. This is the second year of the programme and expected to deliver a further £2.0m of investment, which follows £5m in the previous year. The programme faces similar uncertainties to TDS in that the plan for a number of projects is to deliver them over the next few months with the concern that they could slip into the next financial year particularly if supply chain complications emerge due to the pandemic. The unprecedented success of the laptop rollout in response to the pandemic has allowed resources to shift towards planned upgrades in areas such as telephony, audio-visual capabilities and office 365. All of which contribute to the council's commitment to modernise the way it works and delivers services and create the flexibility needed to drive efficiency and make savings.

Resident Services – Traveller Sites

105. The programme of reconfiguration and improvement works to address health and safety and compliance issues (principally fire safety) across all travellers' sites is due to complete this year, with a forecast spend of £0.2m. Delays due to the pandemic have resulted in additional costs, namely prolonged temporary re-housing, storage of mobile homes and residents belongings and enhanced safety works identified as the project progressed. Planned works at the Brideale and Burnhill sites are subject to review and will be reported to cabinet at a later date.

Housing Investment Programme (HIP)

Overview

106. The HIP is forecast to spend £251.8m in 2021-22, comprising £88.2m on existing stock, £156.6m on new council homes including acquisitions and site assembly costs and £7.0m on wider regeneration schemes. However, the programme is currently under review and over the coming months will see significant change as the council responds to the unprecedented investment challenges that it faces, particularly in relation to new and

emerging building and fire safety requirements, the heat network, the redevelopments at Aylesbury, Ledbury and Tustin, and the council's carbon neutrality commitments. The scale of investment needed is unprecedented (circa £2.5 billion over the next ten years), which the council does not possess. Whilst there is scope for additional borrowing (within predetermined limits), the council must ensure that the revenue financing costs arising remain affordable in the HRA over the long-term without adversely impacting day to day service delivery. The review being undertaken now will help to ensure the HIP can be delivered in line with resource availability and affordability.

Quality Homes Investment Programme (QHIP)

107. 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). Forecast spend as at month 8 for 2021-22 is £61.9m. Due to pandemic restrictions, internal works including the kitchens and bathrooms programme resumed around mid-year with a phased approach to ensure outstanding works are completed. Prior to the resumption of the internals programme, the focus was on external works and work to improve district heating. A re-profiling of the QHIP to take into account new legislative demands around building safety and fire safety, as well as council commitments to reduce carbon emissions, is currently being undertaken.

Heat Network Strategy

108. 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 around £350m over forty years would be required to deliver a modern heating network that would contribute to carbon reduction. However, that estimate is now likely to be very wide of the mark in terms of cost, and is yet another pressure to be absorbed within the HIP going forward. A Heat Networks Strategy paper was approved by Cabinet in September 2021. The Council's first residential heat pumps scheme has progressed well, with £7.5m spent so far at Consort, Wyndham and Comber, with the pumps due to be fully operational across all three estates by the end of the financial year. A number of external funding streams are being explored to support the delivery of the overall strategy.

Special Schemes (High Needs)

109. The special schemes programme covers those estates identified as high need/high cost requiring extensive repair and refurbishment. The schemes by their nature are complex and resource intensive and require bespoke funding solutions including sales receipts to ensure their affordability, outside of the main QHIP programme. Forecast spend of £9m is estimated for 2021-22. Significant investment at Maydew on the Abbeyfield Estate will also continue into 2022-23.

Other Programme Schemes

110. The remainder of the main programme covers a wide range of schemes, with spend of £9.7m forecast this year. This includes fire risk assessments, legacy warm dry and safe (WDS) schemes, major works on individual properties and hostels, and works carried out on behalf of the council by Leathermarket JMB.

New Council Homes

111. The council aims to deliver 2,500 new council homes by May 2022, with 784 having been built to date. Projects are now on site to deliver 1,464 new homes, with planning permission obtained for 722 new homes scheduled to start on site by that date. During this quarter, as part of the Direct Delivery programme, work has started on site to deliver 472 homes. These projects comprise Aylesbury FDS Package B (352 homes), Canada Water Plot K (79 homes), Salisbury Estate Car Park (26 homes) and three other projects delivering 15 new homes. This report reflects revised forecasts for the Alvesbury FDS and Cator Street projects.
112. The housing regeneration programme forms part of the wider new homes programme delivering new homes though both working in partnership with developers and direct delivery. Three development partnership schemes have started on site at 345 Southwark Park Road, the former Cherry Gardens School and at Manor Place and Braganza Street, collectively providing over 80 new council homes. Construction has also started on two large directly delivered schemes at Flaxyard and Albion sites, and over the coming months works will start on site at Penry Street, Cator Street 2, Wickway and Parkhouse Street.
113. A forward plan of schemes beyond the target of 2,500 homes on site by 2022 is being developed and will be available in the first quarter of 2022. However, cabinet need to be conscious of future programme risks in relation to material shortages and construction price volatility, changes to

building safety regulations and climate change requirements and volatility/uncertainty in the housing market. Achieving the longer-term commitment to build 11,000 homes will require more land for development than is currently available and this is reflected in the HIP with resources earmarked for site assembly. The incidence and timing of prospective land and property acquisitions cannot be accurately predicted which is why HIP resources are earmarked to provide the flexibility to enable the council to avail itself of market opportunities as they arise.

Regeneration Schemes

114. Spend on regeneration schemes for 2021-22 is forecast to be £7.0m, with most of the existing projects drawing to a close. The forecast comprises works on the Aylesbury estate (£6.6m), East Dulwich Estate (£0.2m), and other legacy schemes at Elmington and Elephant and Castle (£0.2m). On 18 January 2022 Cabinet approved additional funding of £47.9m to consolidate and take forward the further development of the Aylesbury Estate, which is reflected in this monitor.

Responding to the climate emergency

115. The Housing Investment Programme includes a wide range of planned projects and initiatives to tackle the climate emergency, including the installation of water source heat pumps to the Consort, Wyndham and Newington estates and plans to extend the programme where feasible. A programme for the initial roll-out of heat meters to approximately 2,000 properties, which will help to reduce wastage, lower carbon emissions and provide residents with greater control over costs. The installation of highly efficient condensing boiler continues at pace, with more than 1,500 expected to be installed during the current financial year. Furthermore, old communal ventilation systems are being replaced, which will help to reduce energy usage, reduce condensation and improve air quality in council homes. Officers are also looking at options to extend the combined heat and power provision and exploring external funding opportunities to assist with improving energy efficiency and providing low carbon heating in the council's housing stock.

Community, equalities (including socio-economic) and health impacts

116. This report monitors expenditure relating to the council's capital programme. Although as a monitoring report this report has been judged

to have no direct impact on local people and communities, the expenditure it is reporting reflects plans designed to have an impact on local people and communities. Community impact was considered at the time the projects and programmes were agreed. It is important that resources are efficiently and effectively utilised to support the council's policies and objectives.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

117. 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.
118. 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

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

REASONS FOR LATENESS

120. We continue to monitor and review the financial impact of the pandemic on the council's overall capital programme and financial position. The 2022-23 proposed revenue budget will be considered by Cabinet on 1 February.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy: capital monitoring report, including capital programme update 2021-22 (month 4)	Southwark council Finance and Governance 160 Tooley Street London SE1 2QH	Timothy Jones, Departmental Finance Manager, Finance and Governance
Link: https://modern.gov.southwark.gov.uk/documents/s101232/Report%20Capital%20Monitor.pdf		

APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at Month 8 2021-22
Appendix B	Housing investment programme summary monitoring position at Month 8 2021-22
Appendix C	Budget virements and variations at Month 8 2021-22
Appendix D	General fund programme detail at Month 8 2021-22
Appendix E	New Capital Bids

AUDIT TRAIL

Cabinet Member	Councillor Rebecca Lury, Finance, Performance and Democracy	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Timothy Jones, Departmental Finance Manager, Finance and Governance	
Version		
Dated	28 January 2022	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Governance	Yes	Yes
Strategic Director for Finance and Governance	N/a	N/a
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	28 January 2022	

Appendix A - General fund capital programme 2021-22 Month 8

Department	2021/22			2022/23			2023/24+			Total Programme 2021/22-30/31		
	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Total Forecast	Total Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Children's and Adults' Services	36,188	29,648	(6,540)	37,515	35,698	(1,817)	33,369	41,726	8,357	107,072	107,072	-
Southwark Schools for the Future	2,598	524	(2,074)	-	2,074	2,074	-	-	-	2,598	2,598	-
Environment and Leisure	29,398	21,758	(7,640)	36,467	33,036	(3,431)	77,891	88,962	11,071	143,756	143,756	-
Housing and Modernisation	12,035	13,470	1,435	14,277	14,277	-	43,172	41,737	(1,435)	69,484	69,484	-
Chief Executive's	62,013	41,236	(20,777)	66,244	84,239	17,995	43,977	46,759	2,782	172,234	172,234	-
TOTAL EXPENDITURE	142,232	106,636	(35,596)	154,503	169,324	14,821	198,409	219,184	20,775	495,144	495,144	-
FUNDED BY:												
Corporate Resource Pool	28,808	28,808	-	21,964	21,964	-	32,500	32,500	-	83,272	83,272	-
Major Repairs allowance	-	-	-	-	-	-	-	-	-	-	-	-
Supported Borrowing	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	821	102	(719)	-	719	719	3,412	3,412	-	4,233	4,233	-
Revenue	92	92	-	-	-	-	-	-	-	92	92	-
Capital Grants	24,830	23,112	(1,718)	8,592	10,362	1,770	21,703	21,651	(52)	55,125	55,125	-
Section 106 and CIL	12,374	9,564	(2,810)	6,762	9,831	3,069	24,484	24,225	(259)	43,620	43,620	-
External Contributions	2,711	1,436	(1,275)	1,100	1,100	-	288	1,563	1,275	4,099	4,099	-
TOTAL RESOURCES	69,636	63,114	(6,522)	38,418	43,976	5,558	82,387	83,351	964	190,441	190,441	-
Financing to be agreed/Borrowing	72,596	43,522	(29,074)	116,085	125,348	9,263	116,022	135,833	19,811	304,703	304,703	-

*In the event that there is a shortfall in funding in any particular year, that gap will need to be bridged by borrowing.

Project description	2021/22				2022/23			2023/24			2024/25+			Total Programme 2021/22-30/31		
	Revised Budget	Month 08 Spend	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Total Forecast	Total Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Warm Dry and Safe																
Warm Dry and Safe	984	383	650	(334)	1,637	1,970	334	-	-	-	-	-	-	2,621	2,621	(0)
	984	383	650	(334)	1,637	1,970	334	-	-	-	-	-	-	2,621	2,621	(0)
Special Schemes/HINE																
Chilton Grove Wall - Decent Homes	1,357	3	557	(800)	2	802	800	-	-	-	-	-	-	1,359	1,359	-
Tustlin	3,003	572	3,003	-	100	100	-	-	-	-	-	-	-	3,103	3,103	-
Portland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Damory/Thaxted externals	1,370	2	299	(1,071)	58	1,129	1,071	-	-	-	-	-	-	1,427	1,427	(0)
Maydew	3,189	1,351	3,190	1	8,245	8,243	(1)	-	-	-	-	-	-	11,434	11,434	(0)
Four Squares (HINE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lakanal House	39	3	3	(36)	-	36	36	-	-	-	-	-	-	39	39	-
Ledbury Refurbishment	-	14	262	262	-	-	-	-	-	-	-	-	-	-	262	262
Marie Curie	1,716	-	1,716	-	1,716	1,716	-	-	-	-	-	-	-	3,432	3,432	-
	10,673	1,946	9,029	(1,644)	10,121	12,027	1,906	-	-	-	-	-	-	20,794	21,056	262
Asset management Strategy (Inc. Kitchens & Bathrooms & LD2)																
Asset Management Strategy 2021+Future years (QHIP)	65,684	21,504	60,672	(5,012)	84,829	66,320	(18,509)	68,000	68,000	-	392,945	416,466	23,521	611,458	611,458	-
Installation of LD2	1,945	-	937	(1,008)	1,796	2,000	204	2,000	2,000	-	13,148	13,952	804	18,889	18,889	0
FRA Contingency Budgets	1,980	-	300	(1,680)	-	1,680	1,680	-	-	-	-	-	-	1,980	1,980	-
	69,609	21,504	61,909	(7,700)	86,625	70,000	(16,625)	70,000	70,000	-	406,093	430,418	24,325	632,327	632,327	0
Type 4 Fire Risk Assessment																
Type 4 Fire Risk Assessment	916	597	1,329	413	7,801	6,263	(1,539)	4,000	5,025	1,025	14,436	14,537	102	27,154	27,154	0
	916	597	1,329	413	7,801	6,263	(1,539)	4,000	5,025	1,025	14,436	14,537	102	27,154	27,154	0
HEAT NETWORK STRATEGY																
Heat Network Strategy (including SELCHP Expansion)	11,852	1,037	5,012	(6,840)	15,218	16,691	1,473	15,000	15,000	-	257,868	263,235	5,367	299,939	299,939	-
Consort, Newington and Wyndham District Heating Heat	2,520	2,041	2,520	-	-	-	-	-	-	-	-	-	-	2,520	2,520	-
	14,372	3,078	7,532	(6,840)	15,218	16,691	1,473	15,000	15,000	-	257,868	263,235	5,367	302,459	302,459	-
Regeneration																
Aylesbury Estate regeneration	6,545	1,860	6,545	-	14,817	14,817	-	10,000	10,000	-	5,800	5,800	-	37,162	37,162	-
East Dulwich Estate	186	132	175	(11)	492	507	15	4	-	(4)	-	-	-	682	682	(0)
Elmington Estate	155	0	155	-	-	-	-	-	-	-	-	-	-	155	155	-
Heygate Estate	62	0	62	-	-	-	-	-	-	-	-	-	-	62	62	-
Regeneration Commercial properties	25	-	25	-	-	-	-	-	-	-	-	-	-	25	25	-
	6,973	1,992	6,962	(11)	15,309	15,324	15	10,004	10,000	(4)	5,800	5,800	-	38,086	38,086	(0)
New Builds																
Hostels new build	-	-	12	12	-	-	-	-	-	-	-	-	-	-	12	12
Hidden Homes	1,349	389	1,144	(206)	574	761	186	34	46	11	8	8	8	1,958	1,958	0
Regeneration and Development	55,708	17,130	34,810	(20,899)	98,606	112,595	13,990	52,145	61,472	9,327	33,742	31,323	(2,418)	240,200	240,200	0
Direct Delivery - New Council Homes Phases 1-5	68,951	30,176	58,408	(10,543)	219,631	265,516	45,886	168,603	161,143	(7,460)	86,281	59,640	(26,641)	543,466	544,707	1,241
Aylesbury FDS New Build Packages A & B	47,480	15,219	30,620	(16,861)	47,137	27,455	(19,682)	40,093	40,093	-	5,904	42,447	36,543	140,615	140,615	-
Tustlin Low Redevelopment	6,440	676	3,647	(2,793)	3,480	6,273	2,793	4,330	4,330	-	-	-	-	14,250	14,250	(0)
Ledbury Towers	1,414	604	1,741	327	10,146	9,820	(327)	19,859	19,859	-	142,729	142,729	-	174,149	174,149	0
	181,343	64,194	130,381	(50,962)	379,574	422,420	42,845	285,065	286,943	1,878	268,656	276,147	7,491	1,114,638	1,115,891	1,253
Acquisitions																
Acquisitions & S106 properties	44,866	14,991	25,156	(19,710)	9,919	29,302	19,383	11,732	12,737	1,005	54,527	53,850	(678)	121,044	121,044	(0)
Ledbury Acquisitions	6,455	39	1,100	(5,355)	-	1,500	1,500	-	1,500	1,500	-	2,355	2,355	6,455	6,455	-
	51,321	15,030	26,256	(25,064)	9,919	30,802	20,883	11,732	14,237	2,505	54,527	56,204	1,677	127,499	127,499	(0)
Other programmes																
Adaptations	1,600	890	1,600	-	1,600	1,600	-	1,600	1,600	-	8,442	8,442	-	13,242	13,242	-
Cash incentive & Home owner buy back scheme	532	341	573	41	98	56	(41)	-	-	-	-	-	-	630	630	0
Disposals costs	400	356	400	-	400	400	-	400	400	-	158	158	-	1,358	1,358	-
Hostels accommodation	95	-	-	(95)	-	95	95	-	-	-	-	-	-	95	95	(0)
Major voids	493	276	402	(91)	261	352	91	-	-	-	-	-	-	753	753	-
Security	149	2	76	(73)	-	73	73	-	-	-	-	-	-	149	149	(0)
T&RA halls	1,685	29	35	(1,649)	-	1,649	1,649	-	-	-	-	-	-	1,685	1,685	-
Heating Energy Efficiency Measures (North Peckham P	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Installation of Sprinkler & smoke detection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ledbury Tenants-Assistance with moving costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Misc. Tenants Homeloss Assistance & Payments	-	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WDS Leathermarket JMB	3,350	-	3,350	-	3,150	3,150	-	-	-	-	-	-	-	6,500	6,500	-
Aylesbury Fire Remedial works	3,150	1,019	1,300	(1,850)	212	2,062	1,850	-	-	-	-	-	-	3,362	3,362	-
	11,453	2,919	7,736	(3,717)	5,720	9,437	3,717	2,000	2,000	-	8,600	8,600	-	27,773	27,773	(0)
	347,645	111,642	251,786	(95,859)	531,925	584,934	53,009	397,801	403,204	5,403	1,015,981	1,054,942	38,961	2,293,352	2,294,866	1,515
FINANCED BY:																
Capital Receipts b/fwd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital receipts Leather Market Self financing	3,350	-	3,350	-	3,150	3,150	-	-	-	-	-	-	-	6,500	6,500	-
Capital Receipts	14,354	-	14,354	-	38,054	38,054	-	6,932	6,932	-	22,700	22,700	-	82,041	82,041	-
Additional New Build Receipts-SRPP	6,760	-	6,760	-	6,760	6,760	-	36,959	36,959	-	40,070	40,070	-	90,550	90,550	-
RTB Receipts - Restricted to New Build (incl buybacks)	8,737	-	8,737	-	8,303	8,303	-	8,528	8,528	-	25,425	25,425	-	50,994	50,994	-
Major Repairs Reserves	51,000	-	51,000	-	51,000	51,000	-	51,000	51,000	-	357,000	357,000	-	510,000	510,000	-
Revenue Contribution	20,745	-	20,745	-	20,745	20,745	-	20,745	20,745	-	145,213	145,213	-	207,448	207,448	-
Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
New Homes Grant	33,342	-	33,342	-	87,893	87,893	-	78,902	78,902	-	30,703	30,703	-	230,840	230,840	-
Other Grants-External Contribution	722	-	722	-	4,920	4,920	-	6,238	6,238	-	863	863	-	12,742	12,742	-
Section 106 Funds	10,000	-	10,000	-	10,000	10,000	-	10,000	10,000	-	17,838	17,838	-	47,838	47,838	-
Borrowing - New Build	83,192	-	83,192	-	313,385	313,385	-	152,866	152,866	-	179,712	179,712	-	729,155	729,155	-
Borrowing - Acquisitions and site assembly	16,818	-	16,818	-	25,990	25,990	-	10,686	10,686	-	39,481	39,481	-	92,976	92,976	-
Borrowing - Heat Network	-	-	-	-	2,924	2,924	-	15,000	15,000	-	167,451	167,451	-	185,375	185,375	-
TOTAL RESOURCES	249,021	-	249,021	-	573,124	573,124	-	397,857	397,857	-	1,026,456	1,026,456	-	2,246,458	2,246,458	-
Forecast variation (under)/over	98,624	111,642	2,765	-	(41,199)	11,809	-	(56)	5,347	-	(10,475)	28,487	-	46,894	48,408	-

Appendix C - Budget virements and variations 2021-22 M8 monitor

Project Name	Project Code	Children's	Adult Social Care	Children's and Adults' Services	Southwark Schools for the Future	Environment and Leisure	Housing and Modernisation	Chief Executive's	General Fund Programme Total	Housing Investment Programme	Total Programmed Expenditure
		£	£	£	£	£	£	£	£	£	£
CURRENT PROGRAMME AT M4 2021-22											
		73,908,119	31,765,091	105,673,210	2,598,051	140,399,803	69,433,164	160,070,060	478,174,288	2,075,569,596	2,553,743,883
M8 VIREMENTS TO BE APPROVED											
Environment and Leisure											
Fredricks and Surrey Docks Adventure	L-2340-0412					(150,000)			(150,000)		(150,000)
Fredricks and Surrey Docks Adventure	L-2340-0412					(333,031)			(333,031)		(333,031)
Adventure Playground	L-2340-0423					483,031			483,031		483,031
Cemetery Burial Strategy	L-2340-0370					(526,902)			(526,902)		(526,902)
Cemetery Burial Strategy	L-2340-0370					(623,098)			(623,098)		(623,098)
Nunhead Cemetery Wall Repair	L-2340-0422					1,150,000			1,150,000		1,150,000
									-		-
Chief Executive's											
71-75 Albion Street	R-4020-0180.01							40,000	40,000		40,000
Albion Street Permiability	R-4020-0323.01							(20,000)	(20,000)		(20,000)
Albion Street	R-7000-2021.05.08							(20,000)	(20,000)		(20,000)
Greenland Dock	R-7000-2021.05.04							(20,000)	(20,000)		(20,000)
Greenland Dock - Red Bridge	R-7000-2021.05.05							(50,000)	(50,000)		(50,000)
Lavender Pond Nature Reserve	R-7000-2021.05.06							70,000	70,000		70,000
711 – 717 Old Kent R	R-4020-0150.11							50,000	50,000		50,000
719-727 Old Kent Road	R-4020-0150.13							(50,000)	(50,000)		(50,000)
									-		-
HRA											
Asset Management Strategy (QHIP)	NPHS									203,753	203,753
Installation of LD2	NPHS-LD2									(203,753)	(203,753)
Tustin	Tustin									8,956	8,956
Hidden Homes	regHidH									(8,956)	(8,956)
											-
TOTAL VIREMENTS TO BE APPROVED AT M8											
		-	-	-	-	-	-	-	-	-	-
M8 - VARIATIONS TO BE APPROVED											
Children's Services											
Foster Carer Homes	E-6300-0310	92,019		92,019					92,019		92,019
SEND and Disabilities Development	E-6300-0330	1,306,366		1,306,366					1,306,366		1,306,366
									-		-
Environment and Leisure											
Dulwich CGS	L-2403-1400					3,300			3,300		3,300
Herne Hill Flood Prevention	L-5110-0085					(2,098)			(2,098)		(2,098)
Flood Prevention (Highways drainage gully replacement) Programme	L-5110-0080					2,098			2,098		2,098
Consort Park Project.	L-2340-0550					51,560			51,560		51,560
Additional Replacement Tree Planting	L-2340-0390					85,877			85,877		85,877
Nunhead & Peckham Rye -CGS	L-2403-1500					15,000			15,000		15,000
Monument & Memorial	L-2340-0410					2,000,000			2,000,000		2,000,000
Library Infrastructure Programme	L-1340-0040					1,200,000			1,200,000		1,200,000
									-		-
Housing & Modernisation											
Ilderton Rd East	G-1694-3000.01.02						51,129		51,129		51,129
											-
Chief Executive's											
Camberwell Station Road	R-4020-0071.01							1,000,000	1,000,000		1,000,000
Windsor Walk	R-4020-0071.02							150,000	150,000		150,000
Camberwell High Street	R-4020-0071.03							300,000	300,000		300,000
Engagement	R-4020-0071.04							49,000	49,000		49,000
Low Carbon Transport	R-2021-0040.05							56,000	56,000		56,000
Rye Lane - Social Distancing	R-2021-0040.08							10,000	10,000		10,000
Burgess Park to Peckham	R-2021-0080.05							85,000	85,000		85,000

Project Name	Project Code	Children's	Adult Social Care	Children's and Adults' Services	Southwark Schools for the Future	Environment and Leisure	Housing and Modernisation	Chief Executive's	General Fund Programme Total	Housing Investment Programme	Total Programmed Expenditure
Borough Road	R-2021-0080.06							15,000	15,000		15,000
Tanner St to Willow Walk	R-2021-0080.07							87,000	87,000		87,000
Pullens Yard Improvements	R-4020-0130							912,000	912,000		912,000
Void Shops & Council Owned Parade	R-4020-0140.01							1,500,000	1,500,000		1,500,000
sn	R-4020-0341.1							5,000,000	5,000,000		5,000,000
South Dock Marina Essential Works	R-4020-0341.1							3,000,000	3,000,000		3,000,000
HRA											
Marie Curie	Marie									3,432,000	3,432,000
Aylesbury Estate Regeneration	regAyIM									37,162,257	37,162,257
Hidden Homes	regHidH									468,314	468,314
Regeneration and Development	SRPP									3,175,000	3,175,000
Direct Delivery - New Council Homes Phases 1-5	regDDPHs									(6,148,552)	(6,148,552)
Aylesbury FDS New Build Packages A & B	AlysFDS									10,974,606	10,974,606
Ledbury Towers	LedTowApp									168,748,681	168,748,681
Other Installation of Sprinkler & Smoke detection	othiss									(30,304)	(30,304)
TOTAL VARIATIONS TO BE APPROVED AT M8		1,398,385	-	1,398,385	-	3,355,737	51,129	12,164,000	16,969,251	217,782,002	234,751,253
TOTAL PROGRAMME BUDGET VIREMENTS & VARIATIONS AT M8 2021/22											
		1,398,385	-	1,398,385	-	3,355,737	51,129	12,164,000	16,969,251	217,782,002	234,751,253
REVISED BUDGETS											
		75,306,504	31,765,091	107,071,595	2,598,051	143,755,540	69,484,293	172,234,060	495,143,539	2,293,351,597	2,788,495,136
VIREMENTS & VARIATIONS REQUESTED TO BE APPROVED FINANCED BY:											
Corporate Resources / Capital Receipt		-	-	-	-	3,202,098	51,129	10,412,000	13,665,227	11,906,051	25,571,278
Major Repairs Allowance		-	-	-	-	-	-	-	-	-	-
Reserves		-	-	-	-	-	-	-	-	-	-
Revenue		92,019	-	92,019	-	-	-	-	92,019	5,740,815	5,832,834
Capital Grant		1,306,366	-	1,306,366	-	85,877	-	1,752,000	3,144,243	31,000,000	34,144,243
Section 106 and CIL		-	-	-	-	51,560	-	-	51,560	327,820	379,379
External Contribution		-	-	-	-	16,202	-	-	16,202	-	16,202
Supported Borrowing		-	-	-	-	-	-	-	-	168,807,316	168,807,316
TOTAL RESOURCES		1,398,385	-	1,398,385	-	3,355,737	51,129	12,164,000	16,969,251	217,782,002	234,751,253

Appendix D - General fund capital programme 2021-22 detail

Capital Programme 2021/22 - 2030/31	2021/22				2022/23			2023/24 - 2030/31			Total Programme 2021/22-2030/31		
Description of Programme / Project	Revised Budget	Spend to date	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Environment and Leisure													
Cleaner Greener Safer	3,069	697	1,475	(1,594)	3,306	3,980	674	11,780	12,700	920	18,155	18,155	0
Cycle Superhighway 4 Project	500	7	20	(480)	2,409	2,889	480	0	0	0	2,909	2,909	0
Southwark School Streets	200	49	200	0	910	910	0	1,584	1,584	0	2,694	2,694	0
Cycle Hangers	350	31	350	0	359	359	0	0	0	0	709	709	0
Other PR Projects	2,242	703	2,568	326	1,941	1,615	(326)	1,131	1,131	0	5,314	5,314	0
StreetCare	6,179	3,177	5,033	(1,146)	6,440	6,795	355	30,514	31,304	790	43,133	43,133	0
Air Quality	300	102	300	0	125	125	0	375	375	0	800	800	0
Air Quality Action Plan & Climate Emergency Delivery Pro	1,105	0	1,105	0	15	15	0	0	0	0	1,120	1,120	0
Regulatory Services	121	126	121	0	0	0	0	0	0	0	121	121	0
Carbon Reduction Investment	1,650	0	750	(900)	538	1,438	900	0	0	0	2,188	2,188	0
Climate Emergency	2,500	0	0	(2,500)	2,500	1,250	(1,250)	20,000	23,750	3,750	25,000	25,000	0
Street Metal Works	890	154	890	0	1,450	1,450	0	2,127	2,127	0	4,467	4,467	0
Walworth Library & Heritage Centre	334	0	334	0	333	333	0	333	333	0	1,000	1,000	0
Youth Services	668	(58)	668	0	0	0	0	0	0	0	668	668	0
Culture	353	87	353	0	200	200	0	900	900	0	1,453	1,453	0
Cemetery Burial Strategy	190	7	148	(43)	94	137	43	0	0	0	284	284	0
Nunhead Cemetery Wall Repair	133	19	22	(111)	0	111	111	0	0	0	133	133	0
East Lodge Nunhead Cemetery	548	38	361	(188)	13	155	142	0	45	45	561	561	0
Drinking Water Fountains throughout Southwark	0	0	0	0	57	30	(27)	0	27	27	57	57	0
Adventure Playground	11	0	11	0	1	1	0	173	173	0	184	184	0
Tree Planting	836	244	836	0	1,200	960	(240)	2,642	2,882	240	4,678	4,678	0
Parks	2,633	396	3,379	746	12,011	7,014	(4,997)	2,597	6,848	4,251	17,241	17,241	0
South Dock Marina	311	20	311	0	252	94	(158)	0	158	158	563	563	0
Active Southwark Community Investment Fund	300	0	20	(280)	200	200	0	0	280	280	500	500	0
Leisure	2,114	1,602	2,074	(40)	1,714	1,403	(311)	2,136	2,486	350	5,963	5,963	0
CIL 2021- Parks	673	0	293	(380)	0	380	380	0	0	0	673	673	0
CIL 2021- Highways	1,043	18	110	(933)	0	728	728	0	206	206	1,043	1,043	0
CIL 2021- CGS	142	1	25	(117)	0	65	65	0	52	52	142	142	0
Monument & Memorial	0	0	0	0	400	400	0	1,600	1,600	0	2,000	2,000	0
Environment and Leisure Total	29,398	7,420	21,758	(7,640)	36,467	33,036	(3,431)	77,891	88,961	11,070	143,756	143,756	0
Chief Executive's													
Transport Policy & Planning	2,730	1,448	2,230	(500)	400	900	500	0	0	0	3,131	3,131	0
Walworth Town Hall	350	209	350	0	2,282	2,282	0	0	0	0	2,632	2,632	0
Canada Water Leisure Centre	5,500	2,484	4,500	(1,000)	16,000	16,000	0	10,914	11,914	1,000	32,414	32,414	0
Blue Market Regeneration Programme	1,333	843	1,333	0	0	0	0	0	0	0	1,333	1,333	0
Revitalising the Blue	750	64	750	0	1,250	1,250	0	0	0	0	2,000	2,000	0
Riverside Walk	100	13	60	(40)	1,287	1,327	40	100	100	0	1,487	1,487	0
Regeneration North	2,874	1,595	1,867	(1,007)	3,397	2,622	(774)	32	1,814	1,781	6,303	6,303	0
Revitalising Camberwell	0	0	0	0	1,000	1,000	0	1,095	1,095	0	2,095	2,095	0
Peckham Rye Station Redevelopment	6,541	301	3,552	(2,990)	9,686	12,676	2,990	0	0	0	16,228	16,228	0
The Old Vic	0	0	0	0	2,736	2,736	0	1,000	1,000	0	3,736	3,736	0
Regeneration South	17,836	1,869	9,155	(8,682)	10,996	19,677	8,682	360	360	0	29,192	29,192	0
21-23 Parkhouse Street	50	5	50	0	3,356	3,356	0	0	0	0	3,406	3,406	0
Peckham Library Square	554	148	344	(210)	6,025	6,235	210	0	0	0	6,579	6,579	0
Regeneration Capital	1,650	357	1,189	(461)	1,584	2,046	461	6,500	6,500	0	9,734	9,734	0
Strategic Acquisitions	15,307	3,532	9,756	(5,551)	500	6,051	5,551	0	0	0	15,807	15,807	0
Property Services	1,438	280	1,102	(336)	944	1,280	336	860	860	0	3,242	3,242	0

Appendix D - General fund capital programme 2021-22 detail

Description of Programme / Project	2021/22				2022/23			2023/24 - 2030/31			Total Programme 2021/22-2030/31		
	Revised Budget	Spend to date	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Elephant & Castle Regeneration	4,800	0	4,800	0	4,800	4,800	0	23,116	23,116	0	32,716	32,716	0
Employment Experience	200	0	200	0	0	0	0	0	0	0	200	200	0
Chief Executive's Total	62,013	13,148	41,236	(20,776)	66,244	84,239	17,995	43,977	46,758	2,781	172,234	172,234	0
Children's and Adults' Services													
Adult PSS Capital Allocations	500	0	200	(300)	500	500	0	4,285	4,585	300	5,285	5,285	0
Telecare expansion	143	0	60	(83)	0	83	83	0	0	0	143	143	0
Lifecycle capital prog- Anchor homes	2,867	748	1,000	(1,867)	1,157	3,024	1,867	1,408	1,408	0	5,432	5,432	0
Lifecycle capital prog- ASC properties	606	231	550	(56)	788	788	0	8,911	8,967	56	10,305	10,305	0
Mosaic Management Information Development	600	81	300	(300)	0	300	300	0	0	0	600	600	0
Bed Based Care	5,000	0	0	(5,000)	5,000	2,000	(3,000)	0	8,000	8,000	10,000	10,000	0
2018/19 Primary Schools refurbishment programme	40	21	40	0	0	0	0	0	0	(0)	40	40	0
2019/20 Primary Schools refurbishment programme	70	1	70	0	10	10	0	0	0	0	80	80	0
Primary Schools refurbishment programme 2020/21	677	217	677	0	10	10	0	0	0	0	687	687	0
Primary Schools refurbishment programme 2021/22	3,325	1,434	3,325	0	175	175	0	0	0	(0)	3,500	3,500	0
Autism Spectrum	0	0	0	0	0	0	0	900	900	0	900	900	0
Beornund Primary School Redevelopment	3,222	153	1,000	(2,222)	8,389	10,611	2,222	(0)	0	0	11,611	11,611	0
Healthy Pupils Programme	98	0	98	0	0	0	0	0	0	0	98	98	0
Ilderton School	0	0	0	0	0	0	0	0	0	0	0	0	0
LSBU Passmore	87	87	87	0	0	0	0	0	0	0	87	87	0
Permanent Expansion	10,092	1,822	10,092	0	2,500	2,500	0	0	0	0	12,592	12,592	0
Primary Schools refurbishment programme	0	0	0	0	3,500	3,500	0	10,500	10,500	0	14,000	14,000	0
Riverside Primary School	307	58	307	0	2,500	2,500	0	619	619	0	3,426	3,426	0
School Retention	0	0	0	0	0	0	0	6,746	6,746	0	6,746	6,746	0
Rotherhithe Primary School Expansion	6,697	6,484	11,181	4,484	8,479	3,995	(4,484)	0	0	0	15,176	15,176	0
SEND and disabilities development	1,765	172	569	(1,195)	1,306	2,502	1,195	(0)	(0)	0	3,071	3,071	0
Southwark Inclusive Learning Service KS4	0	0	0	0	3,200	3,200	0	0	0	0	3,200	3,200	0
Troubled Families	92	92	92	0	0	0	0	0	0	0	92	92	0
Children's and Adults' Services Total	36,188	11,602	29,648	(6,540)	37,515	35,698	(1,816)	33,369	41,725	8,356	107,072	107,072	0
Southwark Schools for the Future													
KS3 SILS	524	253	524	0	0	0	0	0	0	0	524	524	0
Contingency and retention payments	2,074	0	0	(2,074)	0	2,074	2,074	0	0	0	2,074	2,074	0
Southwark Schools for the Future Total	2,598	253	524	(2,074)	0	2,074	2,074	0	0	0	2,598	2,598	0
Housing and Modernisation													
Housing Renewal	2,348	401	2,268	(80)	2,106	2,106	0	16,513	16,593	80	20,967	20,967	0
Gypsy and Travellers Site Fire Safety Reconfiguration	217	48	217	0	0	0	0	0	0	0	217	217	0
IT Investment Schemes	2,490	1,189	3,557	1,067	6,655	6,655	0	5,275	4,208	(1,067)	14,421	14,421	(0)
Smart Working Programme	2,518	466	2,039	(479)	0	0	0	1,088	1,568	479	3,606	3,606	0
Operational Buildings Life Cycle Investment	2,836	1,628	3,824	988	5,035	5,035	0	11,669	10,681	(988)	19,540	19,540	0
PPM & Compliance Programme (CRP)	320	49	250	(70)	480	480	0	8,581	8,651	70	9,381	9,381	0
Public Sector Decarbonisation Scheme	1,304	0	1,304	0	0	0	0	0	0	0	1,304	1,304	0
Queens Road 4	1	5	10	9	0	0	0	46	37	(9)	47	47	0
Housing and Modernisation Total	12,035	3,786	13,470	1,434	14,277	14,277	0	43,173	41,738	(1,434)	69,484	69,484	0

Appendix D - General fund capital programme 2021-22 detail

Capital Programme 2021/22 - 2030/31	2021/22				2022/23			2023/24 - 2030/31			Total Programme 2021/22-2030/31		
Description of Programme / Project	Revised Budget	Spend to date	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Programme 2021/22-2030/31	Total General Fund Programme												
	2021/22				2022/23			2023/24 - 2030/31			Total Programme 2021/22-2030/31		
	Revised Budget	Spend to date	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance	Revised Budget	Forecast	Variance
	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total Expenditure	142,232	36,209	106,637	(35,595)	154,502	169,324	14,822	198,409	219,182	20,773	495,144	495,144	0
Total Resources	69,636	0	63,114	(6,522)	38,418	43,976	5,558	82,387	83,351	964	190,441	190,441	0
Forecast variation (under)/over	72,596	36,209	43,523	(29,073)	116,084	125,348	9,264	116,022	135,831	19,809	304,703	304,703	0
Cumulative position					188,680	168,871	(19,809)	304,703	304,703	0	304,703	304,703	0

APPENDIX 3

Item No. 8.	Classification Open	Date: 18 January 2022	Meeting Name: Cabinet
Report title:		Housing Revenue Account – Final Rent-Setting and Budget Report 2022-23	
Ward(s) or groups affected:		All	
Cabinet Members:		Councillor Rebecca Lury, Finance, Performance and Democracy Councillor Stephanie Cryan, Council Homes and Homelessness	

FOREWORD – COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE, PERFORMANCE AND DEMOCRACY AND COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR CONCIL HOMES AND HOMELESSNESS

We are committed to ensuring the council's 55,000 rented, leasehold and freehold homes are well maintained and managed. The money we use to do this sits within our Housing Revenue Account (HRA). Tenants and homeowners pay their rents and service charges into the HRA and this money is then used to fund all the activity needed to ensure our homes and estates are well run and in good condition.

As this money comes from our tenants and homeowners we are committed to consulting them on how it is spent so it is always used in ways that best meet their needs and improve their homes. This year we have consulted with residents online through the Consultation Hub and held an online meeting on 13 January. The results of these consultations are set out in Appendix F of this report.

This report sets out a final budget for next year's HRA and also considers what the appropriate charges should be for a variety of housing services. Whilst this year sees the second year of rent increases following four years of forced reductions under the National Rent Reduction of the Welfare Reform and Work Act 2016, the council is continuing to claw back an estimated £62.5m cumulative reduction in the annual HRA budget, all while our financial planning has been hit further by the impact of the Covid-19 pandemic. Southwark's rents will still remain the 8th lowest in London and the proposed rent increase for the 2022-23 financial year is 4.1%.

As well as managing our existing homes, the council also uses the HRA to build new council homes at council rents as part of our commitment to build 11,000 new council homes. The HRA is also used to invest in building and fire safety works, repairs and major works and to upgrade and carbonise our district heating networks.

As in all years the call on the HRA is enormous but we have been able to set a balanced budget and we recommend this for approval.

RECOMMENDATIONS

1. Cabinet agrees a rent increase of 4.1% for all directly and tenant managed (TMO) housing stock within the HRA (including estate voids, sheltered housing and any residual hostels) with effect from 4 April 2022. This is the maximum permitted under the Rent Standard 2020.
2. With regard to other HRA-wide charges, cabinet agrees that tenant service charges, comprising estate cleaning, grounds maintenance, communal lighting and door entry maintenance be increased as set out in paragraphs 26 to 28 with effect from 4 April 2022.
3. Cabinet agrees the proposed changes to sheltered housing service charges as set out in paragraphs 29 and 30 with effect from 4 April 2022.
4. Cabinet agrees the changes to charges for garages and other non-residential facilities as set out in paragraphs 31 and 32 with effect from 4 April 2022.
5. Cabinet agrees the changes to district heating and hot water charges as set out in paragraphs 33 to 39 with effect from 4 April 2022.
6. Cabinet agrees to establish a pilot project to explore ways in which additional pandemic-driven support may be provided as set out in paragraphs 45 and 46.
7. Cabinet agrees the HRA budget proposals set out in this report and notes these changes ensure a balanced budget is set as required by statute.
8. Cabinet reaffirms the commitments made last month to ensure that savings made are primarily based on efficiencies, and where staffing reductions form part of any said savings, that due consultation and process is followed with trade unions.

BACKGROUND INFORMATION

Indicative HRA rent-setting and budget 2022-23 (7 December 2021 cabinet report)

9. Cabinet on 7 December 2021 considered the indicative HRA rent-setting and budget position for 2022-23. This report contained all of the background information necessary to consider the reasons behind the proposals for rents and other charges. Where further and updated information has been received that is germane to this process it is included below. The appendices to the report have also been updated as necessary and set out the detail behind the various categories of year-on-year budget movement. Any resolutions or comments arising from the consultation process are included within Appendix F.
10. The purpose of this final report is to seek formal approval of the recommendations in respect of rents and other charges outlined at paragraphs 1 to 7 above.

Statutory framework

11. The HRA reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for local authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the council's housing stock, offset by tenant rents and service charges, homeowner service charges and other income. The HRA forms a specific part of the council's accounts separate from the council's general fund. The council is obliged by statute to agree a balanced HRA budget, whereby income and expenditure levels for the forthcoming year match. Appendix A summarises budget movements between 2021-22 and 2022-23, predicated on the basis of a rent increase of 4.1% and other proposed changes to charges and budget movements.

KEY ISSUES FOR CONSIDERATION

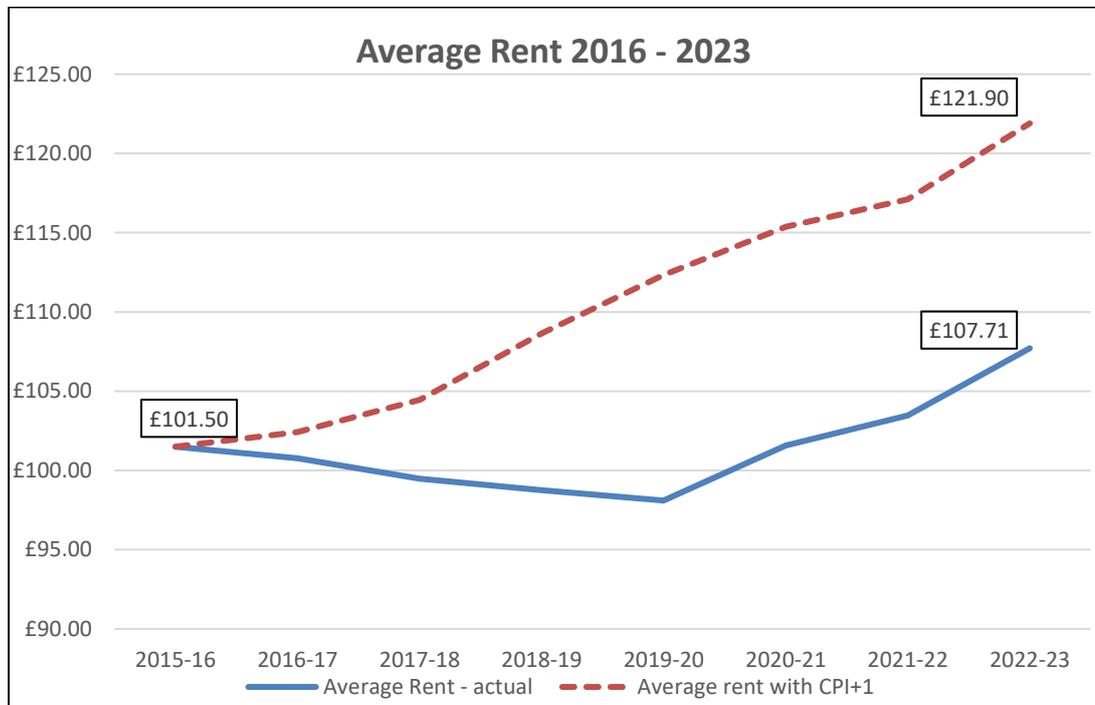
Dwelling rents

12. Cabinet will recall that the Welfare Reform and Work Act 2016 compelled councils and housing associations to reduce rents by 1% each year for the financial years 2016-17 to 2019-20. In October 2017 the former Ministry for Housing, Communities and Local Government issued by a rent policy statement affirming that rent increase levels would revert to September CPI+1% increases for five years post-2020. Simultaneously they extended the remit of the Regulator for Social Housing to cover the local authority sector, and directed the Regulator to issue a new Rent Standard to reflect those extended responsibilities. Under the Rent Standard the maximum rent increase for 2022-23 is set at 4.1% (being September 2021 CPI +1%). The 7 December 2021 report indicated that this is the level of rent increase likely to be adopted by the council.
13. Southwark has a history of low or inflation-linked rent rises, and has always adhered to the government's rent formula when setting rents, with the single exception to agree a lower rent increase in 2014-15, equivalent to CPI for that year, as the implied national increase was considered to be too high. Southwark's rents remain between 8% – 9% lower than the government's assumed target and rank 8th lowest of the 29 London Boroughs with retained housing stock.
14. In terms of rent levels for 2022-23, the table below sets out the current average rent by bed-size and the average rent after the proposed increase (using the actual/projected mid-year stock figure as appropriate).

Bedrooms	Average weekly rent 2021-22	Average weekly rent 2022-23	Increase per week
0	£81.63	£84.98	£3.35
1	£93.63	£97.47	£3.84
2	£103.45	£107.69	£4.24
3	£113.16	£117.80	£4.64
4	£122.29	£127.30	£5.01
5	£134.12	£139.62	£5.50
6+	£147.86	£153.92	£6.06
Overall	£103.47	£107.71	£4.24

Note: figures for 2021-22 are based on the mid-year stock position to ensure greater accuracy.

15. The chart below shows actual average rents for Southwark since the introduction of national rent reductions under the Welfare Reform and Work Act 2016. Over four years, rents were reduced by 1% each year, before reverting to the current government guideline increase of CPI + 1%. The dotted line shows what the average rent would have been had CPI+1% been applicable throughout. It can be seen that inflation in 2020-21 returned average rents roughly to the point they were at when the reduction process commenced four years earlier, a time-lag that remains to the present day – the proposed increase for 2022-23 still only brings average rents back to the level that they would otherwise have been in 2018-19. The gap in 2022-23 between the two lines is the equivalent of £14.19 per week on average.



HRA budget framework and issues

16. Whilst the funding regimes for the HRA and the council's general fund are different, the budget principles are aligned, whereas the timeline for setting rents is abridged such that notification of changes in rents and charges can be served in line with the statutory deadline 28 days in advance of the rent increase becoming effective.
17. The budget framework for next year remains substantially the same as in previous years with the focus being on finding further savings through efficiencies and directing greater resources (both new and existing), to areas of highest priority in order to support and enhance the provision of housing services to residents. The worst effects of the pandemic are hopefully behind us from a budgetary standpoint, and whilst there is still uncertainty, service provision is largely back on track and staff are working hard to recover lost ground in terms of repairs and capital works projects that stalled during the pandemic. Income recovery procedures that were suspended to assist residents during this challenging period, have now resumed but not unexpectedly, arrears have been adversely impacted. However, the position is showing improvement and the expectation remains that this trend will continue but will take time to normalise to pre-pandemic levels. Similarly, for HRA commercial properties and garages which saw a downturn in lettings activity, but are showing signs of recovery but are not expected to provide any real income growth for 2022-23, other than increased charge rates for garages. Consequently, it is again anticipated that budget provisions set-aside for bad debts will be fully utilised in-year thereby minimising any scope to off-set pressures elsewhere within the HRA.
18. One of the most enduring budget pressures is the repair and maintenance of the housing stock, which consumes the greatest proportion of operational resources, requiring stringent management of high value/high volume contract budgets. The successful implementation of the housing repairs improvement plan is key to improving the performance and financial viability of the Southwark Repairs service going forward and further resources of £1m are being committed as part of this budget round, negating any savings previously assumed through performance and productivity gains which are being deferred to 2023-24. In addition, further resources of £1.4m are being earmarked within Asset Management for district heating, disrepair and leaks from above.
19. The onerous responsibilities conferred by the Building Safety Bill and Fire Safety Act 2021 on local authorities and private sector landlords represents a seismic endeavour and requires significant financial commitment given the unique size and nature of the council's housing stock. Southwark has 170 in-scope high-rise buildings (the highest number in the country) which are the immediate priority, along with a significant number of buildings that require further surveys, but which are considered to be of low or moderate risk outside the scope of the legislation. Notwithstanding the critical importance of these new duties to augment residents' safety, they create a substantial additional financial pressure on already constrained resources, particularly capital, both for the initial surveying programme, but moreover the cost of remediation works arising, which is an unknown, but potentially significant. For 2022-23 new revenue and capital

funding commitments totalling £7.1m are included in the budget proposals to address these needs.

20. In light of these new pressures, the council is currently undertaking a wholesale review of its asset management strategy to subsume these new requirements into its business planning, which is likely to be at the expense of other less-essential programmes over the medium-term. As previously reported, capital resources are under extreme pressure and borrowing to support the QHIP and New Homes programmes continues to rise at an unprecedented rate with a consequent revenue financing impact on the HRA, which cannot be sustained over the long-term. Close monitoring and scrutiny of key budget drivers and performance indicators provide opportunity to realign and rationalise budgets to more closely reflect demand and activity changes and correct any budget anomalies that may have arisen over time. With rent policy constrained to CPI+1%, the reality is that resources will never fully match the needs of the housing stock. This is particularly true for both the HRA and the housing investment programme (HIP), and requires the prioritisation and re-profiling of works programmes in order to achieve best value and ensure long-term financial sustainability.

Budget movement schedules

21. Further detail on the composition of the HRA budget movements by category: budget pressures and commitments, income generation, and efficiency savings is contained in the appendices to this report.

Summary of Movements		Gross Exp. £'000	Gross Inc. £'000	Net Exp. £'000
2021-22 Revised Budget		274,405	-274,405	-
Commitments	App. C	14,023	-	14,023
Income generation	App. D	-	-12,869	-12,869
Efficiency savings	App. E	-1,154	-	-1,154
2022-23 Base Budget		287,274	-287,274	-

22. As the summary table above sets out, the HRA budget for 2022-23 is predicated on a number of known and anticipated budget pressures/commitments and assumptions around demand/activity changes totalling £14.0m and a rent increase at September 2021 CPI+1% (4.1%) which raises £5.4m net. Other income streams and capitalisation contribute a further £7.5m and budget efficiencies and rationalisation measures delivers £1.1m. These proposals are sufficient to deliver a balanced budget for 2022-23 as required by statute. Appendices A to E refer.

HRA financing and reserves

23. The self-financing settlement assumed that residual debt would be extinguished over the thirty-year life of the business plan. Whilst there is no statutory requirement for a minimum repayment set-aside (unlike the general fund), £55.1m has been repaid since 2012. This would have been higher were it not for the enforced rent reduction which necessitated re-prioritising service delivery over debt repayment. Up until recently, it has not been necessary to borrow additionally to fund the capital programme, but that position is no longer feasible; borrowing will increase exponentially as the building and fire safety, heat network, high-needs estates and new homes programmes ramp-up. Whilst the relaxation of local authority borrowing controls is welcome and market interest rates are currently low, it is not a panacea for unfettered borrowing as the revenue financing costs of new debt need to be sustainable over the long-term (thirty to fifty years).
24. Borrowing remains subject to the provisions of the Local Government Act 2003 which requires the local authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities 2011 when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that decisions are taken in accordance with good professional practice. The council's treasury management strategy is regularly reviewed and reported to council assembly twice a year.
25. In accordance with the Fairer Futures Medium Term Financial Strategy (FFMTFS) and in common with other local authorities and the council's general fund, the HRA holds reserves to manage demand volatility, fulfil future commitments and mitigate budget risk. The level of reserves and working balances at 31 March 2021 stood at £28.3m, up from £23.0m the previous year. This is a continuation of the gradual replenishment of reserves following the downward trajectory experienced in prior years. It should be noted that around 74% is earmarked for specific purposes, with the remainder held as a contingency against exceptional or catastrophic events. Given the size of the HRA and HIP, this is still considered to be below the optimal level required and it remains a priority to build a more prudent reserve position as resources permit.

Tenant service charges

26. Tenant service charges originated from the government's rent restructuring regime in 2002-03 with the intention of engendering greater consistency and transparency between local authority and RSL sectors. They were first de-pooled from rents (i.e. rents were reduced by an equivalent amount as the cost of the service charges) in Southwark in 2003-04 and have been rebased on several occasions since.
27. The principle underpinning the calculation of charges is that they are set at a level to recover the estimated cost of providing the service; borough-wide costs are pooled in order to moderate any area cost differentials and divided by the estimated number of service recipients to derive a standard charge. In order to

ensure that costs and charges remain aligned, they are subject to annual rebasing and the existing and proposed rates are set out below. Crucially they remain eligible for welfare benefit support.

28. The existing and proposed rates for tenant service charges are set out below.

Tenant service charges	2021-22	2022-23	Change
	£ per week	£ per week	£ per week
Estate Cleaning	6.13	6.32	19p
Grounds Maintenance	1.42	1.45	3p
Communal Lighting	1.46	1.81	35p
Door Entry	0.66	0.71	5p
Total	9.67	10.29	62p

Sheltered housing service charges

29. Sheltered housing service charges were first implemented in 2013-14 and reflect the cost of enhanced housing management services provided to residents. Whilst core service provision had largely remained unaltered over the period, charge rates had not kept pace with costs. Following a rebasing exercise during 2020-21, charge rates were proposed to increase markedly to fully reflect the cost of provision. However, in order to mitigate potential hardship for clients, cabinet resolved to cap the charge for 2021-22 at £33.20 per week (as opposed to £34.69 per week).
30. The cap was also partly intended to retain a phasing element of the move towards full cost recovery, and last year's cabinet reports indicated that its impact in terms of the likely level for 2022-23 would result in a weekly charge of £35.38. Updated inflationary pressures on these costs means that the actual recommended amount is slightly less than this original figure, at £34.75. Service charges like rents are eligible for welfare benefits and currently around 80% of all residents are in receipt of full or partial support or receive transitional funding from Adult Social Care, a long-standing agreement emanating from the Supporting People funding regime, which is gradually falling out as residents leave sheltered care.

Garage and non-residential charges

31. Garage are a valuable asset within the HRA and provide an income stream that helps maintain service provision. Charges are determined by reference to inner London quartile rates, demand and stock availability. A limited programme of renewal and refurbishment to bring obsolete garages back into use continues, but this is likely to slow or cease as resources become more constrained and policy priorities for garage sites shift towards the provision of new homes and where appropriate and financially viable, more affordable business/creative work space.
32. Following a review of the garage portfolio and charging regime it is recommended that standard charges for council residents (secure tenants, resident leaseholders/ freeholders) are increased by 3.1%; and by 5% for private sector renters. The resultant charges are set out in the table below.

Garage charges	2021-22 £ per week	2022-23 £ per week	Increase (%)	Change £ per week
Standard charge	21.75	22.40	2.99%	0.65
Concessionary rate (£5 reduction)	16.75	17.40	3.88%	0.65
Small sites rate	11.50	12.00	4.35%	0.50
Private sector rate	37.30	39.20	5.09%	1.90
Additional charges:				
Larger than average garage	5.40	5.60	3.70%	0.20
Additional parking	5.40	5.60	3.70%	0.20
Water supply	0.50	0.50	–	–
Additional security	1.00	1.00	–	–

N.B. the private sector charge is inclusive of VAT at the standard rate

District heating charges

33. The council's procurement strategy for the purchase of gas and electricity for the district heating network is provided through the LASER purchasing consortium that has over a sustained period delivered very competitive utility prices, primarily gas. This contract was renewed in September 2020 to cover the period to March 2025. This has enabled pooled charges to tenants to be maintained at the same level for a number of years and on average, these are lower than retail market rates. However, notwithstanding the advantage of this arrangement, utility prices remain subject to market fluctuations over which the council has no control.
34. The council's pooled charging policy for district heating and hot water commenced in 1995 with the establishment of the district heating account, with the purpose to smooth-out the impact of price fluctuations over an extended period, mitigate any deficit periods and minimise the requirement for frequent charge movements. In terms of future developments, cabinet agreed a wide-ranging report on the heat networks strategy and associated statutory requirements on 14 September 2021. Officers will come back during 2022 with worked-up proposals around implementation, including billing implications.
35. Review takes place annually as part of HRA budget setting to align the anticipated cost and income for the forthcoming year, taking into account price and consumption, adverse weather and changes in the recoverable tenanted stock base. Energy costs are pooled and standardised 'fuel only' charges set on a borough-wide basis for tenants, depending on the number of bedrooms and type of heating installation. This ensures equilibrium between tenants across the piece regardless of the age and condition of the heating system to which they are connected. On-going investment in energy efficiency measures to reduce consumption also contributes to the financial stability of the heating account. For tenants, the cost of repairs and maintenance is integral in their rent.

36. For homeowners connected to the district heating network, the situation is different as under the terms of the lease they become liable for the actual energy costs incurred and will experience fluctuations in their charges year to year. In addition, and in line with other communal services, they are liable for a proportion of the actual cost of repairs and maintenance to the heating system in the block/estate in which they reside.
37. The Laser framework means that council requirements for gas and electricity are pooled with around 100 or so other local authorities, police etc. which enables them to access the wholesale markets directly. They can purchase energy requirements up to four years in advance at any time, so this helps smooth any sudden spikes in the market. Having said that, this is of course an unprecedented time in the energy markets and so price rises are inevitable with the wholesale market rising significantly this year. Housing estates are currently paying around 1.8ppkWh plus standing charges, whereas the wholesale market currently sits at around 6ppkWh, with residential customers being offered around 8ppkWh by suppliers.
38. The majority of gas on Southwark estates (around 70%) is used between October and March, meaning any April price increases will be for the summer portion of gas. This gives us some certainty with regard to the in-year costs for the remainder of 2021-22. The expectation is that the market will settle down again before next winter's buying period, and Laser will continue to monitor the markets and purchase at strategic points to ensure the best possible value. It should be stressed, that even with price volatility, the consortium continues to ensure that the council pays an extremely attractive price for the energy supplies under this contract and we are not as exposed as other consumers to the adverse market conditions. The proposed 2022-23 increase is intended to manage short-term exposure to the exceptional market volatility currently being experienced with a capped increase in district heating charges to match the rent increase at 4.1%. This should allow time for markets to stabilise, but clearly there can be no guarantee and in the event that costs remain above the budgeted income level, then the heating account reserve will be used to mitigate the short-term impact, and further consideration of charge rates may be necessary during 2022-23.
39. The Office of Gas and Energy Markets (Ofgem) is currently consulting on the potential impact of increased wholesale price volatility on their default tariff cap, and the increase proposed by the council is mindful of this on-going process. Ofgem have had the legal power to design and enforce the cap since 2018, but recognise that current circumstances demand reconsideration as to how it reflects the costs, risks and uncertainties that energy suppliers face. The cap has already been increased by c.12% earlier this year (August 2021, effective from October).

	Bedrooms	2021-22 £ per week	2022-23 £ per week
Central Heating and Hot Water	0	8.61	8.96
	1	12.09	12.59
	2	14.97	15.58
	3	17.92	18.65
	4+	19.34	20.13
Weatherfoil Heating and Hot Water	0	7.25	7.55
	1	10.40	10.83
	2	12.99	13.52
	3	15.54	16.18
	4+	16.85	17.54
Weatherfoil Heating only	0	5.47	5.69
	1	6.78	7.06
	2	8.17	8.50
	3	9.53	9.92
	4+	10.89	11.34
Central Heating only	0	6.73	7.01
	1	8.46	8.81
	2	10.15	10.57
	4+	12.70	13.22
Hot Water only	1	2.30	2.39
	2	4.85	5.05
	3	6.00	6.25
LRB Heating	0	5.84	6.08
	1	8.71	9.07
	2	9.43	9.82
	3	10.18	10.60
Partial Heating	0	4.58	4.77
	1	5.62	5.85
Underfloor Heating	0	6.87	7.15
	1	7.62	7.93
	2	8.38	8.72
	3	9.13	9.50

Consultation and notification

40. Unlike matters of direct housing management there is no statutory requirement to consult on rent and other charges; however the council remains committed to engaging with residents under the terms of the Tenancy Agreement. Specific consultation commenced with the agreement of the indicative HRA rent-setting and budget report by cabinet in December 2021, which set out the budget, implications for rents and proposed changes to other charges in order that this information could enter the public domain before Christmas.
41. In December Cabinet instructed officers to follow due consultation processes with residents, and to that end a borough-wide joint meeting of tenants and homeowners was arranged for Thursday 13 January 2022. This process is broadly similar to that adopted in previous years; however given the rapidity of change occasioned by the pandemic and evolving central government instructions on the matter of public gatherings it is not likely to be held face-to-face, but remotely in tandem with the Consultation Hub. Consultation outcomes will be reported as Appendix F, which given the timescales involved is to be circulated at the cabinet on Tuesday 18 January 2022 and published retrospectively.

Community, equalities (including socio-economic) and health impacts

Community impact statement

42. The purpose of this report is specifically to set tenant rents and associated charges (which can also impact homeowners), and set a balanced budget as required by statute. Analysis has established there is no differential effect for any community or protected group. From 2020-21 the intention of central government is that rents should increase by up to CPI+1% under the provisions of the Rent Standard 2020. It is recognised that any increase may present particular difficulties for people on low incomes. However, rents and tenant service charges remain eligible for housing benefit/universal credit.
43. The wider impact of welfare reform changes has been considered and measures to mitigate the effects on the community have been implemented together with the provision of additional resources to support tenancy sustainment and financial assistance through the provision of Discretionary Housing Payments (DHP). For 2021-22 the allocation was £1.15m. The provision of further support is subject to annual confirmation from central government, but is expected to be of the same order and to provide support for tenants affected by the “bedroom tax” and “benefit cap” for example.
44. There are existing financial support streams, including the existing hardship fund, the newer and more substantial vulnerable renters fund (£1.1m), and the recently announced household support fund (£2.7m) that will provide exceptional support this winter in recognition of the unprecedented impacts of the pandemic. The former will provide extra help for vulnerable individuals at risk of losing their home. The latter will help vulnerable, low-income households with the cost of food, fuel, and other essentials this winter (November 2021 – March 2022). The council has

decided that help for low-income households affected by the end of the universal credit uplift and changes to the statutory energy price cap will be a priority. Eligible households will be identified from benefit data held by the council, or by referral from community partners. Additional support will be provided for families of children attending Southwark schools and receiving free school meals.

45. The council established a residents' working party during 2021 in order to examine the effects of the pandemic on (amongst other things) rent arrears and benefits take-up. The review has made draft recommendations aimed at supporting and enhancing the current approach, and the council is now considering the most effective means of implementation. To commence that process, the council wishes to develop proposals around a new service linking specialist advice to tenancy sustainment (including income maximisation and debt advice). The relevant recommendation of the working party is reproduced below:

“Recommendation 19: The unique nature of COVID debt requires new approaches to managing it. The Council should be innovative when dealing with the most vulnerable problem debtors with negative budgets – possibly through an expanded or enhanced Hardship Scheme. The Council should test new approaches, starting with small-scale pilots. Access to enhanced support would require willingness on the part of a debtor to engage with advice and agreement of a sustainable repayment plan.”

46. The initial costs of these proposals will be funded from within HRA reserves, and a more detailed way forward will form part of future submissions for Cabinet's consideration.

Equalities (including socio-economic) impact statement

47. In line with our Public Sector Equality Duty contained within section 149 of the Equality Act 2010, the department undertakes equality analysis/screening on its budget proposals, which helps to understand the potential effects that the proposals may have on different groups and whether there may be unintended consequences and in the event, how such issues can be mitigated. Analysis is also undertaken to consider any cross-cutting and council-wide impacts. To date no cumulative impacts have been identified.
48. Information on the equality analysis is shared with cabinet to enable it to be considered when decisions are taken. Changes to services will be implemented in such a way to not impact disproportionately on any specific section or group in our community or staff cohort, and where necessary, consultation will be undertaken alongside mitigating action.

Health impact statement

49. The council is committed as part of the Fairer Futures – Homes for All theme, to maintaining the highest standards so that all our homes are clean, safe and cared for. Proposals within this budget contribute directly to continuing our long-term homebuilding programme and also investing in and improving our estates, which will contribute to providing health benefits for Southwark residents.

50. There is an established link between financial concerns being a driver/cause of poor mental health. The council recognises this issue, and strives to support tenants and homeowners by retaining and encouraging a focus on tenancy sustainability. Housing officers provide practical advice and help to tenants, whilst the statutory rent letter mail-out, amongst other communications, normally contains additional advice on benefits. During the pandemic, the council also suspended interventionist policies with regard to arrears recovery and eviction procedures in order to recognise the additional pressures both financially and mentally that the situation had placed on Southwark's residents.

Climate change implications

51. At its meeting of 7 July 2021 cabinet adopted Southwark's formal climate change strategy, and for a number of years the council has been committed to achieving carbon neutrality by 2030. The budget reports under consideration in December and today are principally concerned with the financing and delivery of the council's responsibilities as a social landlord, so it is not proposed to reproduce the entire strategy here. However, Section E of the Action Plan on **Priority 1 – Greener Buildings** within the strategy relates directly to the council's dwelling stock, and a link to that report is provided below.
52. In addition, the report on the heat networks strategy in September 2021 also spoke extensively to this area, both in terms of the anticipated reduction in carbon emissions that the new network would facilitate, and with regard to additional thermal energy efficiency measures to ameliorate potential upward charging pressures. Issues around heat metering, charging pressures and associated new statutory requirements formed part of this report, which is also linked below.

Statutory and contractual notifications

53. Subsequent to the approval of this final report on 18 January, either as set out or as amended by cabinet, and the passing of the necessary date for its implementation, the council will issue a statutory and contractual notification of variation in rents and other charges to all tenants, not less than 28 days prior to the commencement of the new rents and charges referred to above.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

54. The report sets out a Final Budget for the Housing Revenue Account (HRA) for 2022-23. Members are invited to approve:
- A rent increase for existing directly managed and TMO managed tenancies
 - An increase made in tenant service charges
 - An increase made in charges for garages and other non-residential facilities

- An increase made to charges for sheltered housing service charges
 - An increase in district heating and hot water charges; and
 - The HRA budget proposals in the report.
55. This is a key decision in accordance with the council's constitution.
56. The financial and budgetary considerations underpinning officer recommendations are explained in the body of the report and its annexes.

Policy and Legislative Context

57. The Local Government and Housing Act 1989 ("the 1989 Act") sets out legal requirements the council must comply with in relation to housing finance. In particular, Section 74 of the 1989 Act places a duty on the council to maintain a Housing Revenue Account ("HRA"). Under Section 76 of the 1989 Act the council has a duty to budget to prevent a debit balance on the HRA, and to implement and review the budget.
58. Section 76 of the 1989 Act includes a requirement for the Council in the January or February preceding the relevant year to formulate proposals relating to its houses and property regarding:
- (a) income from rents and other charges; and
 - (b) the expenditure on repairs, maintenance, supervision and management of its houses.
59. Section 21 of the Housing Act 1985 ("the 1985 Act") provides the Council with powers for the general management, regulation and control of its dwelling stock. Section 24 ("the 1985 Act") makes provision for the council to "*make such reasonable charges as [it] may determine for the tenancy or occupation of [its] houses*" with the requirement from time to time, to review rents and make such changes as circumstances may require. In exercising its power under this section, the Council is required to have regard in particular to any relevant standards provided under section 194 of the Housing and Regeneration Act 2008 requiring it to comply with specified rules about levels of rent (and the rules may, in particular, include provision for minimum or maximum levels of rent or levels of increase or decrease of rent).
60. The provisions of the 1985 Act conferring discretion as to rents and charges made to occupiers within the scope of the HRA has also been subject to restrictions arising from the provisions of the Welfare Reform and Work Act 2016 ('the 2016 Act').
61. The 2016 Act, and Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations required the council to reduce rents year on year (with limited exceptions). During the financial years beginning in April 2016, 2017, 2018

and 2019, the rents payable had to be at least 1% less than the rent payable in the preceding year.

62. For social rent properties, the rent reduction requirement applied to the rent element of the charge under the tenancy agreement and not to charges made for services.
63. The period of enforced rent reductions came to an end on 31 March 2020 and from April 2020 local authorities have been able to increase rents again.
64. From 1 April 2020 the council is obliged to set rents in accordance with the Rent Standard 2020 (“the 2020 Standard”) issued by the Regulator of Social Housing on the direction of the Secretary of State for Housing, Communities and Local Government using powers granted by the Housing and Regeneration Act 2008 Section 197.
65. The 2020 Standard allows the council to apply annual rent increases, over a five year period, of up to 1% above the general index of consumer prices; CPI. The 2020 Standard sets out the formula to be applied to social and affordable rents for existing tenants, to fair rents and for tenants moving between different types of rent.
66. The council must comply with the rules contained in the 2020 Rent Standard (Housing and Regeneration Act 2008 section 194(2A)). There is additionally a requirement to provide information to the Regulator of Social Housing when required and a duty to report non-compliance or potential non-compliance.

Consultation

67. Rent and other charges are excluded from the statutory definition of matters of housing management in respect of which local authorities are required to consult their tenants pursuant to Section 105 of the Housing Act 1985 for secure tenants and Sections 137 of the Housing Act 1996 for introductory tenants.
68. As a term of the tenancy agreement with its tenants however, Southwark Council has undertaken to consult with the Tenant and Homeowner Forum before seeking to change rent and other charges. The report confirms that representative groups have been consulted in order to comply with this term.
69. The council is required, by:
 - (a) Section 103 of the Housing Act 1985 in relation to its secure tenancies and;
 - (b) Section 111A of the Housing Act 1985 in respect of its introductory tenancies and;
 - (c) The council’s agreement with its tenants

to notify tenants of variations of rent and other charges, by service of a notice of variation, at least 28 days before the variation takes effect. The requirement to serve a preliminary notice on tenants affords an opportunity for tenants to comment on what is proposed.

Equalities (including socio-economic) impact

70. In making a decision the cabinet must have due regard to community, equalities (including socio-economic) and health impacts of the decision and the council's equalities duties set out in the Equalities Act 2010 and specifically the need to:
- Eliminate discrimination, harassment, victimisation or other prohibited conduct.
 - Advance quality of opportunity between persons who share a relevant protected characteristic and those who do not. The protected characteristics covered by the equality duty are age, disability, gender reassignment, pregnancy and maternity, race, religion, sex and sexual orientation. The duty also includes marriage and civil partnerships in respect of eliminating unlawful discrimination.
 - Foster good relationships between those who share relevant characteristics and those who do not.
71. The report includes a community impact statement which sets out consideration given to the equality duties in the Equality Act.

Strategic Director of Finance and Governance

72. The financial implications arising from the various movements in expenditure/income on the HRA are covered within this report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
HRA Indicative Rent-Setting and Budget 2022-23 Link (copy and paste into browser): https://moderngov.southwark.gov.uk/document/s/s103398/Report%20HRA%20Indicative%20Budget%202022-23.pdf	160 Tooley Street London SE1 2QH	Paula Thornton Constitutional Team
Climate Change Strategy Link (copy and paste into browser): https://moderngov.southwark.gov.uk/document/s/s99897/Report%20Climate%20Change%20Strategy.pdf	as above	as above
Heat Networks Strategy Link (copy and paste into browser):	as above	as above

Background Papers	Held At	Contact
https://moderngov.southwark.gov.uk/document/s/s101251/Report%20Heat%20networks%20strategy.pdf		

APPENDICES

No.	Title
Appendix A	Summary of HRA Budget Movements 2022-23
Appendix B	HRA Summary Revised Budget 2021-22 and Base Budget 2022-23
Appendix C	HRA Budget Pressures and Commitments 2022-23
Appendix D	HRA Income Generation 2022-23
Appendix E	HRA Efficiencies and Improved Use of Resources 2022-23
Appendix F	Results of Consultation (to follow)

AUDIT TRAIL

Cabinet Members	Councillor Rebecca Lury, Finance, Performance and Democracy Councillor Stephanie Cryan, Council Homes and Homelessness	
Lead Officers	Duncan Whitfield, Strategic Director of Finance and Governance Michael Scorer, Strategic Director of Housing and Modernisation	
Report Author	Ian Young, Acting Director of Finance and Departmental Finance Manager, Housing and Modernisation	
Version	Final	
Dated	6 January 2022	
Key Decision?	Yes	
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	N/a	N/a
Date final report sent to Constitutional Team		6 January 2022

APPENDIX A – SUMMARY OF HRA BUDGET MOVEMENTS 2022-23

	Detailed list	HRA Budget movement £000
Inflation		2,844
Service commitments		11,179
Budget pressures and commitments	Appendix C	14,023
Increase in rental income		(5,374)
Tenant service charges		(837)
Sheltered housing service charges		(54)
District heating charges		(457)
Fees, charges and third party income		(30)
Garage and non-residential charges		(222)
Homeowner service charges		(965)
Capitalisation of building survey charges		(4,930)
Income generation	Appendix D	(12,869)
Efficiency savings		(1,154)
Efficiency savings and improved use of resources	Appendix E	(1,154)
HRA budget gap		0

APPENDIX B – HRA SUMMARY REVISED BUDGET 2021-22 AND BASE BUDGET 2022-23

	2021-22 Revised budget £m	2022-23 Base budget £m
Employees	40.4	44.0
Operational running costs	36.5	37.1
Estate cleaning and grounds maintenance	18.2	18.2
Repairs and maintenance	50.5	59.2
Contributions to investment programme, great estates and major projects	27.1	27.1
Corporate support costs	11.1	11.1
Depreciation	53.0	53.0
Financing costs	30.6	30.6
Tenant management organisations (TMOs)	7.0	7.0
HRA Expenditure	274.4	287.3
Dwelling rents	(196.7)	(202.1)
Non-dwelling rents	(5.8)	(6.0)
Heating and hot water charges	(8.8)	(9.3)
Tenant service charges	(15.7)	(16.5)
Homeowners - major works	(11.0)	(11.0)
Homeowners - service charges	(21.3)	(22.3)
Interest on balances	(0.7)	(0.7)
Commercial property rents	(8.3)	(8.3)
Fees, charges and third party income	(2.8)	(2.9)
Recharges and capitalisation	(3.3)	(8.2)
HRA Income	(274.4)	(287.3)
HRA Total	0.0	0.0

APPENDIX C – HRA BUDGET PRESSURES AND COMMITMENTS 2022-23

Division	Reference	Cabinet Member	Description	2022-23	Comments
				£000	
All Services	HRA150	Cllr Stephanie Cryan	General inflation provision	2,844	Annual inflation provision to meet price increases across a broad range of budget heads, including employees, operational running costs/energy usage and works contracts comprising repairs and maintenance, mechanical and electrical engineering and heating
Asset Management	HRA151	Cllr Stephanie Cryan	Building Safety - new dedicated building safety team (recruitment phased over two years)	1,278	Building Safety - estimated staffing requirement is 35 posts + 2 PMO posts - recruitment to be phased over two years
Asset Management	HRA152	Cllr Stephanie Cryan	Building Safety - surveying and intrusive safety investigation and safety cases (in-scope building programme phased over two years)	4,930	Estimated cost of surveying is £58k per block x 170 blocks = £9.86m to be undertaken by 31 March 2024. One-off cost over two years, then falls out in Year 3. Surveys are estimated to take up to sixteen weeks. Additional blocks deemed as 'high risk' (69) will be addressed through the mainstream capital works programme
Asset Management	HRA153	Cllr Stephanie Cryan	Building Safety - additional compliance works arising from building safety surveys	500	Increase in compliance budget to cover additional costs arising from building safety inspections
Asset Management	HRA154	Cllr Stephanie Cryan	Disrepair - additional legal and compensation costs to deal with historic claims and increased volume	1,000	Based on existing demand pressure, including impact of Habitation Act and targeting of residents by compensation claims firms. Increasing numbers of claims is a nationwide position
Asset Management	HRA155	Cllr Stephanie Cryan	New district heating team (recruitment phased over two years)	350	District heating team structure to deliver works programme (interim for one year then bulk of team to be capitalised as works programme commences)
Asset Management	HRA156	Cllr Stephanie Cryan	Southwark Building - impact of new Terms and Conditions	400	Estimated cost of transitioning to new T&C's for works labour force (tbc). Currently being assessed using actual cost information
Asset Management	HRA157	Cllr Stephanie Cryan	Southwark Building - disrepair	600	Estimated cost for additional contractors to deliver disrepair works that fall within the remit of Southwark Building

APPENDIX D – HRA INCOME GENERATION 2022-23

Division	Reference	Cabinet Member	Description	2022-23	Comments
				£000	
Resident Services	HRA121	Cllr Stephanie Cryan	Sheltered Housing Service Charges	(54)	Annual rebasing of sheltered housing service charges to reflect current/anticipated cost of providing enhanced housing management support to residents - second tranche of staged implementation (2021-22 to 2022-23)
Exchequer Services	HRA122	Cllr Stephanie Cryan	Garage Rents and Non-Residential Charges	(222)	Detrimental impact of Covid on lettings and hence rental stream - gradual recovery in activity expected to continue throughout 2022-23 to pre-Covid level. Increase in charges of 3.1% in line with September CPI, will generate income growth over existing budget
Exchequer Services	HRA123	Cllr Stephanie Cryan	Homeowner Revenue Service Charges	(965)	Annual rebasing of rechargeable income budget to reflect current/anticipated volumes and activity to ensure full cost recovery from homeowners under the terms of their lease
All Services	HRA124	Cllr Stephanie Cryan	Miscellaneous Mandatory and Discretionary Fees and Charges	(30)	Annual review of miscellaneous mandatory and discretionary fees and charges for services in line with Council's MTRS
Central Services	HRA126	Cllr Stephanie Cryan	Tenant Rents	(5,374)	Guideline rent increase @ September 2021 CPI (3.1% +1%), including stock/void movements and full-year impact of closure of shared hostel accommodation arising from Covid
Central Services	HRA127	Cllr Stephanie Cryan	Tenant Service Charges	(837)	Annual rebasing of charges to reflect estimated uplift in contract costs to ensure full cost recovery from service users, including allowance for impact of energy price rises
Central Services	HRA128	Cllr Stephanie Cryan	District Heating and Hot Water Charges	(457)	Increase in charges capped in line with rents in lieu of on-going assessment of energy market price volatility
Asset Management	HRA129	Cllr Stephanie Cryan	Capitalisation of building safety surveys	(4,930)	Immediate revenue costs of surveys funded from investment programme
				(12,869)	

APPENDIX E – HRA EFFICIENCIES AND IMPROVED USE OF RESOURCES 2022-23

Division	Reference	Cabinet Member	Description	2022-23	Comments
				£000	
Resident Services	HRA101	Cllr Stephanie Cryan	Special Investigations Team - reduction of one vacant post from existing team of ten	(45)	No service impact
Resident Services	HRA102	Cllr Stephanie Cryan	Great Estates Programme Pilot due to end in May 2022. Residual works to be subsumed into mainstream estate management	(979)	Residual works to be subsumed into mainstream estate management
Resident Services	HRA103	Cllr Stephanie Cryan	Hostels - removal of operational running cost budgets for decommissioned hostels designated for provision of new homes	(100)	No service impact as shared hostel accommodation closed and residents re-housed
Customer Experience	HRA108	Cllr Rebecca Lury	MSHO Service - close Market Place	(30)	Will need to continue to provide face to face service and potentially increase contact centre staff and complaints team to manage additional calls and complaints
				(1,154)	

**COUNCIL ASSEMBLY AGENDA DISTRIBUTION LIST (OPEN) (FULL LIST)
MUNICIPAL YEAR 2021/22**

NOTE: Original held by Constitutional Team; all amendments/queries to
Virginia Wynn-Jones Tel: 020 7525 7055

ONE COPY TO ALL UNLESS OTHERWISE STATED	Copies	To	Copies
<p>Councillors (1 each) Councillor Jasmine Ali Councillor Radha Burgess Councillor Sunil Chopra Councillor Nick Dolezal Councillor Tom Flynn Councillor Renata Hamvas Councillor Lorraine Lauder Councillor Maria Linforth-Hall Councillor Eliza Mann Councillor Darren Merrill Councillor David Noakes Councillor Damian O'Brien Councillor Leo Pollak Councillor Sandra Rhule Councillor Martin Seaton Councillor Andy Simmons Councillor Cleo Soanes Councillor Kath Whittam Councillor Kieron Williams</p> <p>Electronic Versions (No hard copy) All other councillors</p>	19	<p>Press</p> <p>Southwark News 1 South London Press 1</p> <p>Group Offices</p> <p>Luke Newman, Labour Group Office 1 Pavle Popovic, Liberal Democrat Group Office 1</p> <p>Officers</p> <p>Eleanor Kelly 1 Duncan Whitfield 1 Doreen Forrester-Brown 1 Chidilim Agada 1 Caroline Bruce by email David Quirke-Thornton by email Michael Scorer by email</p> <p>Constitutional Team 12</p> <p>(Copies to Virginia Wynn-Jones, 2nd Floor, Hub 2, Tooley Street)</p> <p>Others</p> <p>Matt Dean, Grant Thornton 1 Ground floor audit office, Tooley Street</p> <p>Total: 40</p> <p>Last updated: 11 February 2022</p>	