

<b>Item No.</b> 10.	<b>Classification:</b> Open	<b>Date:</b> 14 September 2021	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy and Resources Strategy: capital monitoring report, including capital programme update 2021-22 (month 4)	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Rebecca Lury, Finance, Performance and Democracy	

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

We continue to remain committed and ambitious about our ability to deliver on major investments and improvements in our Borough. Whilst Covid-19 continues to have an adverse impact on us being able to do all that we would want to, there is still much to celebrate about what we are achieving.

Our range of projects remains extensive, covering all areas of the Borough, providing improvements for all of our residents. From the opening of Dicken's Square, to the ongoing work in Victory Community Park, we continue to invest in our green spaces. We are continuing to invest in improvements to existing care settings, providing improved facilities for some of the most vulnerable in our Borough.

The Council continues to invest in our technology and digital service solutions – improving not only the technology and supporting infrastructure that allows our staff to continue to work in these changeable times, but also provides improved ways for residents to interact with us.

And our work on building council housing continues apace, with schemes across the Borough starting on-site in the coming months.

Despite the difficult circumstances, we remain committed to doing all that we can to improve the Borough, and our investment in the programmes of work set out here only go to demonstrate this.

## **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.

3. Notes the significant funding requirement of £311m 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 £876m for future years for the housing investment programme to be fully delivered over the remaining term of the programme, as detailed in Appendix B.

## **BACKGROUND INFORMATION**

5. On 15 June 2021 the 2020-21 capital outturn report was presented to the Cabinet. This reported the capital outturn on the general fund programme of £116m and financing requirement (i.e. borrowing) of £89.9m. Spend on the housing investment programme for the financial year 2020-21 was £215m, with £56.1m financed by borrowing.
6. The total programmed capital expenditure over the ten-year period 2021-22 to 2030-31 is £478m for the general fund and £2,077m for the housing investment programme.
7. 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.
8. 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.
9. 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 4 2021-22**

10. 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.

### **General Fund**

11. Attached at Appendix A is a summary of the general fund capital programme position as at month 4. The total programmed expenditure over the period 2020-21 to 2030-31 is £478m. The forecast spend in 2021-22 is £138.9m against a programmed spend of £204.9m.
12. Capital expenditure to the end of Month 4 amounted to £11.3m representing 8% of forecast spend for the year.
13. Appendix C details the budget virements and variations for approval by cabinet.
14. Appendix D provides a breakdown of the programme by directorate and project and the departmental narrative statements (paragraphs 28 to 97) provide further details.
15. This programme position will continue to be monitored and reviewed over the remainder of the financial year and the final outturn position will be reported to cabinet.

### **Housing Investment Programme**

16. The housing investment programme is forecasting total expenditure of £2,077m over the period 2021-22 to 2030-31. The forecast spend in 2021-22 is £347m against a budget of £458m. Expenditure to the end of month 4 amounted to £46m representing 13% of total forecast spend for the year.
17. A breakdown of the schemes and budgets within the housing investment programme is included in Appendix B. Further narrative is provided at paragraphs 89 to 97.

## **Resourcing the 2021-22 programme and onwards**

18. 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.
19. 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.
20. 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.
21. 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.
22. 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.
23. 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.
24. In the current ten year programme included within this report, there is a forecast shortfall of available funds of £311m to meet the planned general fund capital commitments and a borrowing requirement of £876m to fund the ambitious housing investment programme.
25. 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.

26. In developing and managing its capital programme the council has to maintain clear control on the selection and use of resources to finance capital expenditure. Strategies for investments, borrowing and treasury management facilitate this control and assist the council to have clear strategic direction on its use of resources. Beyond 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**

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

### **CHIEF EXECUTIVE'S DEPARTMENT**

28. The total value of the capital programme for the department over the period 2021 to 2030-31 is £160.04m. Total expenditure incurred to the end of July 2021 amounted to £2.21m.

### **Regeneration Division**

29. The regeneration division (comprising of 4 project areas namely Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services) has a combined budget of £124.27m with expenditure incurred to the end of July 2021 amounting to £1.33m.

### **Walworth Road Town Hall**

30. In August General Projects [GP], the council's partner for the Walworth Town Hall project secured planning and listed building consent for the refurbishment of the buildings and their use as co-working and business start-up space with a café and community facility.
31. GP have reviewed their procurement process to appoint a main contractor for the works and are now programming a start on site in Q4 this year with practical completion in 2024.
32. The community space will be managed by a new body with an independent chair. An independent advisor has been appointed to recruit the community, youth, and independent chair. The management body, once formed, will have responsibility for appointing an operator to run the facility on a sustainable financial basis

### **Canada Water Leisure Centre**

33. 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. Enabling works are underway to prepare plot A2 for development. The petrol station on the site has now been demolished. British Land still expect to appoint a main contractor for the project by quarter 3 of 2021-22. The current programme anticipates that the new leisure centre will be open to the public in 2025.

### **Elephant and Castle Open Spaces**

34. Dickens Square/ Dickens Fields: Construction works started on 14 December with expected completion in July 2021. There have been further Programme delays due to COVID-19 outbreak on site and material supply delays. Practical completion & handover on Dickens Square has now taken place as planned.
35. 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 the first half of 2022.
36. Nursery Row: Approval of PID occurred in February 2021. Public consultation on proposals for the park is now underway.

### **44 Webber Street**

37. 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 obligations from the landlord to the tenant. This has been a complex project and some degree of overspend is anticipated in 2021-22.

### **Voluntary Sector Strategy**

38. 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 and 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**

39. Pullens Yard Improvements is an ongoing project to achieve fire safety compliance in old workshop premises integrated with tenanted and leasehold residential premises. The project is underway, on a unit by unit basis and all funds are committed. To achieve full compliance we would need to budget for 5 units a year at £30k per unit for the next three years including the current one (£150,000 per annum). The options, including a possible capital bid, are being reviewed and cabinet will be updated in the next capital monitor report.

### **Void Shops**

40. Void Shops are 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. At present a potential funding requirement of an estimated £250,000 per annum remains as a budget pressure. The options, including a possible capital bid, are being reviewed and cabinet will be updated in the next capital monitor report.

### **Transport Division**

41. The transport planning budget of £2.88m is largely funded by Transport for London (TfL) to deliver transport improvement programmes as contained within the borough's movement plan.

### **TfL Funded Works**

42. TfL funded projects are largely on track with the majority of budgets either at full spend or on track to achieve full spend as forecast.
43. Designs for the Rotherhithe to Peckham Cycle Connection have been submitted to TfL for review and only minor changes to the design are required. An additional £65k of funding for this project has now been confirmed for the 2021 financial year.
44. Scoping has been completed for cycle hire expansion and this work will be charged to the code shortly. Scoping work has been submitted to TfL and requires them to provide their approval for implementation in order to proceed to the next stage. Full spend will be dependent on this being received in a timely manner.

### **Elephant and Castle Roundabout Project**

45. 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**

46. The total value of the departmental capital programme for the period 2021-22 to 2030-31 is £105m with £33.7m forecast spend in 2021-22.

#### **Adult Social Care**

47. 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.
48. 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. The spend on ASC properties likely to increase as refurbishments started in Alma Grove, Therapia Road, and Mount Adon Park with a 2021-22 forecast of £0.6m.
49. Lifecycle work on Residential homes were also affected by COVID-19 and the identification of urgent Health and Safety issues that resulted in delays in tendering and completing various projects. This led to the programme being put on hold, and expected spend on the homes has been consequently revised to £0.5m for 2021-22, with uncertainty about the short term, and likely on site delays in case of a restart.
50. 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**

51. The Children's Services capital programme budget for 2021-22 to 2030-31 is £71.3m. This consists of £21.9m 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-19 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.

52. There is an additional £5.5m remaining in the Southwark Schools for the Future Capital Programme including the remaining budget for the rebuilding of SILS KS3.
53. 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.
54. The main works on Rotherhithe School are progressing well, and target completion and decant into the new school is scheduled for December 2021, with demolition of the existing school and landscape works to follow, completing in June 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.
55. 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.
56. The Primary Schools Refurbishment programme for 2020-21 is now complete and the 2021-22 programme is underway with the majority of the refurbishment works occurring 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.
57. A key priority of the programme is the provision of SEN/ higher needs places, building upon the work at Cherry Garden School and at Park College post 16 provision. Significant work was undertaken at SILS KS3 in 2020-21 and the project is now complete. However, there has been some slippage in the opening of resource unit at COLA. In addition 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, and this may be subject to a future capital bid.

58. The current programme of works aimed at increasing in-house fostering capacity for the Children and Families Division will be completed in this financial year. Three homes of foster carers are being converted in order to accommodate children with various, and in some cases complex, needs. This is an invest-to-save project which avoids significant placement costs in residential settings.

## **ENVIRONMENT AND LEISURE**

59. The total value of the departmental capital programme for the period 2021-22 to 2030-31 is £139.9m. The projected 2021-22 outturn is £29.3m against the budget of £38.5m. The budget for future years has been re-profiled in line with the projected expenditure.
60. The progress of major schemes is outlined below.

### **Highways**

61. The NPR Programme spend at the end of month four is 35% of total budget and fully in line with forecast. The forecast final outturn for capital renewals is £3.4m. The final outturn forecast for Devolved Highways is £600k.
62. The Principal Roads programme spend is currently at 27%, however all remaining spend is expected prior to December.
63. Completion of works under the cycle infrastructure fund has been delayed by the closure of Rye Lane, which was to be used as a diversion route. Completion of these works was expected once restrictions were lifted in July, however the decision has been made to maintain some level of restriction on Rye Lane leading to further delays. Works are now programmed to be completed in January.
64. As previously predicted, increased traffic management rates under the new contract have resulted in a funding shortfall towards the end of the programme in 2024. A review is being undertaken of the programme and funding available with the potential need for a capital growth bid to complete the programme. Full spend is expected this FY with the potential to require funding to be brought forward from next FY.
65. Cycle Superhighway 4 is forecast to start on site during Q3, current forecast for capital budget is based on a top-up being required in excess of the currently allocated TfL funding. Officers are currently in discussion with TfL to secure further grant funding and, if successful, this forecast will be reduced to focus on TfL grant funding, which is time barred.

66. Other priorities have resulted in less work under the school expansion programme being forecast for completion during the 2021 summer break. Some work continues but the majority has been reprogrammed for the 2022 summer break.
67. Issues with procurement of camera enforcement to support the Southwark School Streets programme has resulted in some delays to the programme. The forecast has been adjusted to make allowance for this.
68. Cycle Hangers programme is currently slightly behind forecast but it is still expected to hit the council plan target by end of March. A particularly successful bid for TfL grant funding has resulted in additional funding for cycle parking. This combined with the additional allocation of CIL funding has resulted in less requirement for capital budget this FY. Money will be carried forward to the next FY to support further council plan targets for cycle hangers.
69. A new budget line for Highways CIL Projects has now been accurately forecast through to 2024.
70. St Saviour's Footbridge is now substantially complete within budget and no further costs are expected from this capital budget.
71. Cox's Walk footbridge works has been delayed and the scheme is being reviewed.
72. For Cleaner Greener Safer (CGS) the five Multi Ward forum meetings were completed by March 2021 and for the 2021-22 financial year CGS funding was allocated to 164 new projects and 68 grants.
73. The team is hard at work getting the new projects off the ground and dealing with the slight backlog due to COVID-19.

### **Flood Prevention**

74. A detailed study has been commissioned for the Paxton Green roundabout area. The area regularly floods when heavy rainfall is experienced and works are to follow on once the report has been received. Various flood alleviation projects are progressing with colleagues on the housing estates to introduce Sustainable Urban Drainage schemes. Work is ongoing across the borough as planned to replace dysfunctional gullies.
75. The major project under development is the Lost Peck Scheme. The Scheme which will protect more than 200 homes and business premises is estimated at £1.4m and is expected to be funded by the Environment Agency (EA). Planning approval was granted on 4<sup>th</sup> March 2020. An outline business case submitted to the EA in July 2020 has received approval in principle. Additional section 106 funds are being sought to

cover the cost of general environmental improvements to be delivered as part of the scheme. Aecom Consultants have been commissioned to undertake detailed design, with Geotechnical Investigation also commissioned to inform detailed design. Geotechnical investigation results have been received and the detailed design now completed. A PSC contract is being drawn up to engage with the preferred contractor of the Environment Agency to undertake the civil works once the design has been completed.

### **Asset Management**

76. 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
77. 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**

78. The adjusted forecast spend for 2021-21 on the Leisure Capital Programme is £5.8m with spend to date of £880k. Significant spend committed for the remainder of this year on projects completing or currently in delivery includes:
  - Southwark Park Athletics Centre – completion of building and landscaping works (£693k). Building fit out (£143k)
  - Burgess Park Sports Pavilion and Pitches – Tender underway (£860k)
  - Nunhead East Lodge – Structural Works (£560k)
  - Cossall Park – Contract Awarded. Construction & fees (£527k)
  - Pelier Park – Contract awarded. Construction & fees (£308k)
  - Adventure Playgrounds – Building repairs and play equipment (£225k)
  - Active Southwark, Outdoor Gyms & Flexible Swim & Gym (£600k).

### **Culture**

79. Southwark Heritage Centre and Walworth Library project opened on 19 April 2021. The project is currently on budget and final account will be completed by the end of quarter 3 in 2021-22. Some minor snagging issues are still being dealt with and will be completed by end of defects period Dec 2021.
80. Library infrastructure & IT projects - Rollout & implementation of new RFID self service kiosks was delayed due to COVID-19. This is now on schedule to be completed in September 2021. The refresh of the public PCs is due to complete in 2021-22 however there have been some delays in starting this project due to COVID-19 – revised milestones are being confirmed with the supplier.

## **Youth Services**

81. No expenditure has taken place up to July. Proposals for this capital budget will be linked to the delivery of the New Youth Deal and are still being shaped. Updated projections will be provided in upcoming monitors

## **HOUSING AND MODERNISATION**

### **Housing General Fund**

#### **Overview**

82. The total value of the Housing and Modernisation general fund capital programme for the ten years to 2030-31 is circa £69m 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 some slippage as is the case this year and re-profiling in order to deliver optimum service outcomes and best value. Expenditure for 2021-22 is forecast to be £12m. The key headlines are outlined below.

#### **Asset Management - Housing Renewal**

83. Housing Renewal comprises a range of initiatives that principally support people in private sector accommodation to remain living independently through assistance with repairs, improvements and adaptations to their homes. Support is also provided to landlords and property owners to bring their properties back into use. The programme is largely funded through Disabled Facilities Grant (DFG) and the council's own resources for the provision of grants and loans. Whilst the works programme was curtailed due to the pandemic, full service has now resumed. The service has streamlined processes particularly around DFG applications to reduce delays and increase the number of cases being progressed through the system. To date 60 DFG cases are approved, on site or nearing completion. A further 34 DFG cases currently are at the initial application stage and there are 100 cases waiting to be assessed. Spend of £2.3m is forecast for 2021-22, which includes unspent funding rolled forward from 2020-21.

#### **Asset Management - Corporate Facilities Management (CFM)**

84. 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 £4.5m 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 the value of £1.9m.

85. Following some restructuring and relocation of activities formally within the Modernise division, it is necessary to re-allocate the capital programme resources for "modern ways of working" to CFM (£672k) and Chief Executive's Department (£200k) in line with revised programme management arrangements.

### **Customer Experience – Technology and Digital Services (TDS)**

86. 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. The current spend forecast is £2.5m on key programmes comprising website replacement, applications transformation, applications migration and Wi-Fi connectivity.

### **Customer Experience – Smart Working Programme (SWP)**

87. This is the second year of the programme and is scheduled to deliver a further £2.3m of investment which follows £5m in the previous year. The unprecedented success of the laptop rollout in response to the pandemic allows 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**

88. 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**

89. Overall, the HIP is programmed to spend £347.1m in 2021-22, comprising £106.3m on existing stock, £240.1m on new council homes including acquisitions and site assembly costs and £0.7m on wider regeneration schemes. However, the programme is currently under review and over the coming months will see significant change to that presented here 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 immense and will require significant borrowing and the council must ensure that the revenue financing costs arising from it remain affordable to the HRA over the long-term without adversely impacting day to service delivery. The reviews being undertaken now will help to ensure the HIP can be delivered in line with resource availability and affordability.

### **Quality Homes Investment Programme (QHIP)**

90. 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). Spend in 2021-22 is forecast to be £69.6m. Due to pandemic restrictions, internal works, including the kitchens and bathrooms programme, were not carried out, with the focus on external works and district heating infrastructure. Re-profiling of the QHIP to take into account new legislative demands around building and fire safety as well as council commitments to reduce carbon emissions is currently being undertaken.

### **Heat Network Strategy**

91. 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 address the situation. However, this estimate is now likely to be substantial light of the investment required to deliver a modern heating network that also makes a significant contribution to carbon reduction. A Heat Networks Strategy paper will be presented to cabinet in September 2021. In 2020-21, the council's first residential heat pumps scheme progressed well, with over £5m spent at Consort, Wyndham and Comber and is due to complete in autumn 2021.

### **Special Schemes (High Needs)**

92. 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 £8.9m is estimated for 2021-22. Significant investment at Maydew on the Abbeyfield Estate will also continue into 2022-23.

### **Other Programme Schemes**

93. The remainder of the main programme covers a wide range of schemes, with spend of £13.4m forecast this year. This includes fire risk assessment, 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**

94. The council aims to deliver 2,500 new council homes by 2022, with 717 having been built to date. Projects are now on site to deliver 780 new homes, with 29 schemes having received planning permission to deliver a further 939 new homes that will start on site or complete by 2022. 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. During the next few months new homes at Copeland Road will be completed and handed over, while direct delivery schemes at Flaxyard, Wickway, the Albion Sites, Penry Street and Parkhouse Street will also commence on site. In addition, development partnerships at Manor and Braganza, 345 Southwark Park Road and Cherry Gardens will be commencing. This reflects a significant shift in activity following the programme delays experienced due to the pandemic and the lingering uncertainty caused by Brexit.
95. 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.
96. In March 2021, the council entered into a variation to the Development Partnership Agreement (DPA) with Notting Hill Genesis which will secure delivery of 581 new council homes on the First Development Site at the

Aylesbury Estate at an estimated cost of £195.5m. As part of this arrangement, the council paid £65.9m to Notting Hill Genesis to reimburse costs incurred by them in respect of this development, and further spend of £47.5m is forecast for 2021-22. The new homes are to be delivered in two phases with the first phase now on site (Package A) with the second phase (Package B) due to start in the first half of 2022-23.

### **Regeneration Schemes**

97. Spend on regeneration schemes for 2021-22 is forecast to be £0.7m, with most of the existing schemes drawing to a close. The forecast comprises works on the Aylesbury estate (£0.3m), East Dulwich Estate (£0.2m), and other legacy schemes at Elmington and Elephant and Castle (£0.2m).

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

98. 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.

### **Climate change implications**

99. This report provides an update on the council's capital programme as a whole and thus has no direct climate change implications. 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.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Director of Law and Governance**

100. 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.
101. The capital programme satisfies the council's duty under the Local Government Act 1999 which requires it to make arrangement to secure the continuous improvement in the way its functions are exercised, by having regards to the combination of economy, efficiency and

effectiveness.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy: Capital Monitoring Outturn Report 2020-21	Southwark council Finance and Governance 160 Tooley Street London SE1 2QH	Timothy Jones, Departmental Finance Manager, Finance and Governance
<b>Link (please copy and paste into browser):</b>  <a href="https://modern.gov.southwark.gov.uk/documents/s98975/Report%20Capital%20Outturn%202021-22.pdf">https://modern.gov.southwark.gov.uk/documents/s98975/Report%20Capital%20Outturn%202021-22.pdf</a>		

## APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at Month 4 2021-22
Appendix B	Housing investment programme summary monitoring position at Month 4 2021-22
Appendix C	Budget virements and variations at Month 4 2021-22
Appendix D	General fund programme detail at Month 4 2021-22

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Rebecca Lury, Finance, Performance and Democracy	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Timothy Jones, Departmental Finance Manager, Finance and Governance	
<b>Version</b>	Final	
<b>Dated</b>	2 September 2021	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director for Finance and Governance.	N/a	N/a
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		2 September 2021