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| <b>Item No.</b><br>15.             | <b>Classification:</b><br>Open | <b>Date:</b><br>18 July 2022   | <b>Meeting Name:</b><br>Cabinet |
| <b>Report title:</b>               |                                | Policy and Resources Strategy: capital monitoring report outturn 2021-22 |                                 |
| <b>Ward(s) or groups affected:</b> |                                | All  |                                 |
| <b>Cabinet Member:</b>             |                                | Councillor Stephanie Cryan, Finance, Democracy and Digital               |                                 |

## **FOREWORD – COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR FINANCE, DEMOCRACY AND DIGITAL**

As always, we remain committed to an ambitious capital programme strategy. Our capital programme delivers real and tangible benefits for our residents and despite ongoing financial pressures, we continue to invest in this delivery.

Projects to help tackle the Climate Emergency and to meet our commitment to be net carbon neutral by 2030 are at forefront of the capital programme, with a £25m capital fund for individual projects. We have already committed just under £14m to projects, which are detailed in this report.

Other projects include building new council homes. By May this year, we had completed or were on site with 2,519 new council homes. We have a commitment to deliver another 1,000 council homes and 500 key worker homes by 2026.

We have also committed to improving air quality, increasing the number of cycle hangers, as well as funding improvements in care home settings, children’s homes, parks and leisure centres.

However funding is a significant issue. 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. Shortfall in capital resources will mean that financing will be from borrowing, which will have accompanying debt charges, which will add to revenue costs. A funding requirement of £326m is needed to fully deliver the capital programme across the General Fund and there will be a borrowing requirement of £1.2bn for the housing investment programme. The scale of funding for the housing investment programme is unprecedented with a forecast total expenditure of £2.3bn over the period 2021-22 to 2030-31.

Despite these significant pressures we remain committed to a programme that will help deliver a fairer, greener, safer borough.

## **RECOMMENDATIONS**

That cabinet:

1. Notes the 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 £326m 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 £1.1bn 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 paragraphs. 17-18, 85, 117, 119).

## **BACKGROUND INFORMATION**

6. On 1 February 2022, the 2021-22 Month 8 Capital Monitoring report was presented to Cabinet. This reported programmed general fund expenditure of £495m over the 10 year programme and an in-year forecast of £107m against programmed spend of £142m. The Housing Investment Programme stood at £2.2bn with an in-year forecast of £252m against programmed spend of £348m.
7. The estimated borrowing requirement amounted to £305m on the General Fund and £1bn 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 Community Infrastructure Levy (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 2021-31. 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 outturn 2021-22**

11. The capital programme is detailed within the report and appendices as follows:
  - Appendix A sets 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 a summary of the new capital bids.

### **General Fund**

12. Attached at Appendix A is a summary of the general fund capital programme position as at outturn 2021-22. The total programmed expenditure over the period 2021-22 to 2030-31 is £531m. Total expenditure in 2021-22 was £97m against a programmed spend of £109m.
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 100) provide further details.

### **Housing Investment Programme**

15. The housing investment programme is forecasting total expenditure of

£2.3bn over the period 2021-22 to 2030-31. Total expenditure in 2021-22 was £211m against a programmed spend of £251m.

16. A breakdown of the schemes and budgets within the housing investment programme is included in Appendix B. Further narrative is provided at paragraphs 101-117.

### **Climate change implications**

17. 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.
18. 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. Paragraph 85 provides further detail on projects currently funded from the £25m fund.

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

19. Capital expenditure is financed through a variety of sources, typically receipts from the sale of capital assets, capital grants, external contributions such as S106 or Community Infrastructure Levy (CIL), from reserves or from revenue budget contributions. Any capital expenditure that is not financed by available capital resources must be financed by borrowing.
20. The strategy for financing the capital programme is to utilise grants, before using council receipts and reserves, thereby minimising any requirements for borrowing which will impact on the council's revenue budget.
21. The council can temporarily utilise other resources in lieu of using external borrowing to fund capital expenditure. This is referred to as internal borrowing. Whilst internal borrowing is a useful treasury management facility to minimise debt financing costs, it merely defers the timing of external borrowing rather than obviating the need.
22. The shortfall in available capital resources is financed from borrowing and will be funded from revenue contributions to support the debt costs over the life of the debt repayment.

23. The treasury management strategy has been to defer external borrowing, borrowing only when needed for liquidity purposes. Whilst this strategy has worked well for the council, saving over £20m since 2011, the increase in capital spending can no longer be financed entirely from internal borrowing. Accordingly since 2017-18 the council has needed to borrow externally to finance previous capital spending and to maintain target cash balances.
24. The make up of the capital programme is significantly influenced by the scale of resource availability from grants, s106, CIL and capital receipts and their timing. Over the life of the programme, all commitments must be met from anticipated resources. In the event of any shortfall in resources to fund the programme in any particular year the council would need to consider the use of prudential borrowing to bridge the gap. The cost of servicing the debt will be a charge to the revenue budget and funded from savings and/or returns on investments.
25. In the current ten year programme included within this report, there is a forecast shortfall of available funds of £326m to meet the planned general fund capital commitments and a borrowing requirement of £1.1bn to fund the ambitious housing investment programme.
26. In addition, proceeds from capital receipts are continually kept under review especially for sales and development agreements. Financing will require careful monitoring of commitments and a drive to secure the forecast capital receipts and other resources as planned over the rest of the financial year. As part of work to review capital financing, a review of s106 has been undertaken to identify where contributions can appropriately be utilised to support the capital programme, subject to the agreement of the Planning Committee.
27. In developing and managing its capital programme the council has to maintain clear control 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**

28. The sections below provide commentary on the outturn position by department for 2021-22.

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

29. The total value of the capital programme for the department for the period 2021-22 to 2030-31 is £188.5m. The projected 2021-22 outturn is £48.5m against the budget of £42.2m and the budgets for future years will be reprofiled accordingly.

### **Regeneration Division**

30. The regeneration division (comprising of four project areas namely Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services) have a combined budget of £152.4m with expenditure incurred to the end of March 2022 amounting to £41.4m.

### **Walworth Road Town Hall**

31. General Projects have appointed Conamar as the main contractor for the works. Conamar took possession of the site in early April and early works including the hoarding of the site are now underway. Practical completion of the scheme is expected towards the end of 2024.
32. The process to recruit the chair and membership of the management body for the community space has been concluded. The management body has started to meet and is beginning work on the process to identify an operator to run the space on a sustainable financial basis.

### **Canada Water Leisure Centre**

33. As previously reported British Land have appointed Mace as the main contractor for the project. The scheme is on site and it is anticipated that the new leisure centre will be handed over to the council in the 3rd quarter of 2024/25. A specialist external advisor is being appointed to act as project coordinator to advise the council on detailed design and building services issues.

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

34. Victory Community Park – Following feedback from consultees the current designs are now under review with ward councillors and Friends of Victory Park. The programme will then be updated but it is likely an application will be submitted by the end of July. Therefore, the commencement of the construction programme is expected to start in early 2023.
35. Nursery Row Park - Improvements to entrances and play area. Design consultant appointed. Public consultation expected to start in summer 2022.

### **Voluntary Sector Strategy**

36. Voluntary Sector Strategy entails necessary works to Voluntary & Community Sector buildings, and in particular the refurbishment of Sojourner Truth Centre, which is underway and to be completed in July 2022. Additional projects have been identified where the buildings are in poor condition and the council will need to invest if it wants to bring them back into use. These are being appraised, for example, 12a Asylum Road,

the former Wells Way library and baths building. Complimentary funding may be available from the Heritage Lottery Fund and Carbon Offset Fund. 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**

37. Pullens Yards Improvements is an ongoing project to achieve 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 initial funds committed. To achieve full compliance, a budget has now been approved for a programme of works to 23 more units within the Pullens Yards estate, consisting of effective fire compartmentation plus ancillary works, over the three years through to 2024.

### **Void Shops**

38. To ensure that vacant shops and premises are re-let, the council wishes to meet the necessary minimum statutory compliance (fire, gas, asbestos, legionella, etc.), safety and environmental performance standards. We expect to see more commercial premises becoming vacant in the current economic climate and as rent recovery action resumes, post-covid. We expect in the region of 30 additional units to become available each year. In addition we need to ensure minimum environmental standards (Minimum Energy Efficiency Standards / Environmental Performance Certification) are met across the commercial portfolio if the grant of leases is to remain lawful. By April 2023 all premises will need an EPC of E or higher to do so.

### **South Dock Marina - Essential Works**

39. On 1 February 2022 investment of £3m was approved from the councils capital programme to deliver essential works to the boatyard and improvements to the marina to form the first phase of the works. The health and safety works 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.

40. In March 2022 the contract to deliver architect services of RIBA stages 2-6 in respect of these works was awarded to Cottrell and Vermeulen through LHC Architect Design Services Framework ADS1.1.

### **Strategic investment property acquisition**

41. The strategic investment properties the council has acquired over the last few years have proved to be resilient throughout the pandemic. In 2021-22, rent collections were at 98% and income budget targets were exceeded. However, the post pandemic period has provided office occupiers the opportunity to seek out the best quality buildings, in turn to attract the best talent and to help realise their ESG objectives. Whilst the council's acquisitions fare relatively well in this respect, we foresee investment demands arising in the coming years, if we are to continue to be competitive in the lettings market.
42. Some of the investment acquisitions have a strategic aspect so over the medium term we will see incomes fluctuate as income generating assets are released for development, the trade-off being asset creation including the possibility of new income streams.

### **Transport Division**

43. The transport planning budget of £3.2m is largely funded by Transport for London (TfL) to deliver transport improvement programmes as contained within the borough's movement plan.

### **TfL Funded Works**

44. TfL funded projects have been completed at year end in line with forecast, full spend has been achieved across all lines with no variance between budget and actual.
45. The Rotherhithe to Peckham Cycle Connection design work for 2021-22 financial year has been completed.
46. Works for cycle hire expansion are currently pending planning approval. They are programmed for 2022-23 with the full remaining spend of £0.905m anticipated.

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

47. The capital programme also includes the remaining s106/CIL contribution of £32.7m (part of the total £63m) agreed by the council towards the construction of the new Northern Line station. The developer of the former shopping centre site has now started work on the construction of the station box. The works also safeguard additional space for the Bakerloo Line Extension which would ensure full step free integration with the Northern

Line. The new station will have escalators replacing the existing lifts which become overcrowded at peak times.

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

48. The total value of the departmental capital programme for the 10 year period from 2021-22 to 2030-31 is £116.3m. The final outturn for the 2021-22 financial year is £18.7m.

### **Adult Social Care**

49. The capital programme budget for the period 2021-22 to 2030-31 is £31.4m, the main projects being; £15.4m in respect of a programme of improvements to existing care settings, £9.7m for the provision of an additional bed-based care facility and £5.4m for an essential lifecycle capital programme for four residential care homes.
50. The activity on the programmed life cycle work has been considerably affected by the pandemic. This resulted in delays in the planned work on a number of sites. These delays have resulted in additional spend of £0.35m, (which is an improvement of £0.24m from forecasts at the beginning of the year). The 2021-22 expenditure mainly related to redecoration and refurbishment of Alma Grove and Therapia Road. Work on Mount Adon Park was delayed until 2022-23.
51. The lifecycle work on residential homes has resumed after the pandemic and resulted in an outturn of £1.05m in line with expectations. The majority of this was spent on the replacement of the pipework and boilers in Rose Court as well as the completion of the refurbishment of Waterside. The programme has agreed work going forward to ensure the sustainability of the homes including the ongoing refurbishment and redecoration of the rooms within the homes. The agreed work programme is expected to finish in 2022-23 therefore, a review of lifecycle programme is currently in progress for the next two years 2023-24 onwards.
52. The Adult Social Care Capital Board has identified a number of priorities for 2022-23 and beyond to meet the current and future needs of vulnerable adults in the borough. Contributions have been made to the Changing Places Toilets project, and the adult social care community/day centre space next financial year, as this will require fitting out with a fully equipped kitchen and disabled toilets.
53. There is also work in progress to review the estate with the view to incorporate low carbon and energy reduction measures in line with the council's commitment to tackle the impact of climate change.

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

54. The final outturn for the Children's Capital programme for 2021-22 was £17.1m. The majority of this expenditure was on the Rotherhithe Primary

School expansion, the Primary School Refurbishment programme and the Charter School East Dulwich.

55. The Children's Services capital programme budget for 2021-22 to 2030-31 is £84.9m. This consists of £16.0m for the schools refurbishment programme as well as certain specific projects such as £15.2m for Rotherhithe School, £11.2m for Charter school, and £14.4m on Beormund Special School. There is an additional £2.6m remaining in the Southwark Schools for the Future Capital Programme including the remaining budget for the rebuilding of Southwark Inclusive learning KS3.
56. There is a new bid in the children's services capital programme budget which is the proposed £2.2m capital project to develop a new children's home within the borough. In 2021/22, Children and Families services was successful in bidding for a £1.9m capital grant from the DfE for a new children's home and a potential site has been identified at 18 St Mary's Road in Peckham. The total estimated cost of the project is £2.2m. Therefore it is suggested that £350k, should be transferred from the existing capital programme within Children and Adults services. A project team is now working to finalise designs and procure a main works contractor to complete the works and open the new children's home during the summer of 2023.
57. The main works on Rotherhithe School are now complete and the school took possession of the new building in June 2022. Demolition of the existing school and landscape works are to follow, completing by the end of 2022. In addition, design work on Riverside Primary School is underway to rectify defective early years' classrooms, dining and safe access into the school, with work anticipated to start on site in February 2023.
58. The Charter School East Dulwich rebuild is the only remaining project from the Primary Schools Expansion Programme currently onsite. This includes the sixth form centre and resource base with a targeted completion date of July 2023.
59. The relocation of Beormund School is currently in the design stage, with enabling works planned to commence in summer 2022. The main works are anticipated to commence on site in spring 2023. The former Bellenden buildings were demolished in January 2022.
60. The Primary Schools Refurbishment programme for 2021-22 is now 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.
61. The School Condition Allocation grant, which funds the yearly Primary Schools Refurbishment programme, is calculated based on pupil numbers

in Southwark and so the yearly allocation has been reduced in line with falling rolls. Therefore the yearly programme will decrease from 2023-24, unless alternative funding is sourced.

62. Going forwards, opportunities are being explored for rationalisation of buildings to make the best use of existing assets to reduce running costs for schools. There is spare capacity in the primary sector (spread unequally across the borough) because of falling rolls relating to a reduced birth rate, which is exacerbated by Covid-19. In addition, there has been a slowdown in growth in the secondary sector although there is still pressure to increase pupil places for children with special needs, which is a national issue for all education authorities.
63. There is an additional £9.6m ESFA High Needs Capital Grant allocation for the 2021-22 to 2023-24 financial years, which has been added into the Education Capital programme. This will be allocated to new/existing projects in line with grant conditions and the council's High Needs strategy.

## **ENVIRONMENT & LEISURE**

### **Summary**

64. The total value of the departmental capital programme for the period 2021-22 to 2030-31 is £148.05m. The final 2021-22 outturn is £15.4m against the latest revised budget of £23.4m. The budget for future years will be updated in line with the outturn.
65. The progress of major schemes is outlined below.

### **Highways**

66. The Non Principal Road (NPR) programme has delivered capital renewals to 62 streets this year, an improvement on the original 60 forecast. In previous years, the programme has concentrated on road resurfacing schemes but due to various Covid related restrictions on working and issues with supply of materials, the programme this year was mainly footway works at locations throughout the borough. Additionally there have been 93 completions against the devolved highways budget portion of this funding.
67. The Principal Roads programme has seen the completion of major resurfacing on Southwark Bridge Road and Copeland Road. Ideally, this is predominantly funded by TfL but there is currently no indication that any TfL funding will be available for 2022-3. Once the road condition data is available, Highway Services will evaluate the need to undertake a Principal Road renewal programme and the required level of funding. This will support a potential capital growth bid to be submitted for the next capital monitor report to cabinet. This will allow the council to continue the current level of maintenance on the network and maintain the overall condition

factor.

68. The School Streets programme is aimed at reducing vehicle journeys outside and around schools. This improves safety and air quality, and encourages more active travel options. Predominantly the programme involves closing roads outside schools either at school access times or on a permanent basis. Works for this year on the school streets programme have been completed in line with forecast. Further works will be carried out in the coming financial year and this has been reflected in the forecast.
69. Highways CIL projects are on track to complete within the limitations set out in the funding, by March 2024. Much of the work that has been carried out this year has been design work rather than construction work however we will be looking toward some implementation of Liverpool Grove improvements, Toulmin Street footway widening and traffic calming on St Aidens Road, among others, in the coming year. Construction works has higher values and the forecasts reflect this profile.
70. Cox's Walk footbridge works have been delayed and the scheme is being reviewed. Due to increased costs of the works, capital allocations for 2023-24 will be brought forward to accommodate this.

#### Cycling

71. Site works carried out under the cycle infrastructure fund in the Rye Lane area are now complete. Further sections of this work are being designed over the coming year with construction due to commence in 2023-24. Forecasts for future years have been revised to reflect this.
72. The start on-site date for Cycle Superhighway 4 has been revised to September 2022, due to insufficient funding being allocated by TfL in the financial year 2021-22.
73. Cycle Hangers programme has completed the year in line with the current forecast with 500 hangars having been purchased. Further work on this programme will continue over the coming years allowing the council to double this provision again, to 1,000 hangars, by March 2026. £2.5m climate change funding has been secured to continue this programme beyond the current forecast and will be added to the capital monitor.

#### Cleaner, Greener, Safer (CGS)

74. The Cleaner Greener Safer (CGS) programme has been running since 2003 with a capital allocation amount of £1.88m each year. The programme supports all eight Fairer Future commitments, but mostly a greener borough, a healthier life, and a safer community - all of which are a priority in order to reduce the inequality of living standards. The CGS programme has had a huge impact in supporting Southwark residents to transform their local areas. Projects include playground renovations,

upgrades to sports facilities, new estate cycle parking, tree planting, food growing projects, fencing and lighting improvements. CGS funding for projects and grants ranges from as little as £250 to £25,000.

75. During the yearly application window (normally Sept/Oct) the team receives around 600 applications from residents and organisations for funding. The team, in terms of feasibility and cost, assesses the majority of these and a report sent to ward councillors for review. Councillors make their decisions about which projects are to be funded and these decisions are formally announced at a further series of meetings in Jan/ Feb the following year. Around 250 new projects are funded each year. The team receives over 50 recorded direct compliments each year on what positive change a scheme had on the community.
76. Examples of CGS projects are the American Garden in Peckham, also Draycott Close on the Elmington Estate in Camberwell that is now considered the most aesthetic playground in Southwark. Designed in conjunction with the South London Gallery and artist Celine Condarelli the playground feature bespoke play equipment. Another example is the Canada Estate Green Space. Ball games on a large green space in the Canada Estate had been causing problems for residents for years. The space was then transformed into a food growing area with 20 raised beds which the Tenant and Resident Association has taken responsibility for.

### **Asset Management**

77. The programme for required lamp column replacements and lantern replacement for energy consumption reduction, has been completed. All structural replacements have taken place and relevant luminaires replaced. It has been a very successful programme with completion in a challenging time due to Covid 19 absences.
78. Electric vehicle lamp post chargers – the council has successfully installed the full programme of 50 charge points. Due to a drive in efficiencies and a reduction in Electric Vehicle Charge Points (EVCP) costs, we were able to install a further 50 charge points at no additional cost totalling 100 charge points for the capital programme of 2021-22.

### **Parks and Leisure**

79. The final expenditure for 2021/22 on the Parks & Leisure Capital Programme was £4.904m. The programme includes 32 individual projects in delivery. The most significant expenditure in the 2021/22 Parks and Leisure Capital programme was in respect of the following projects:
  - Southwark Park Sports and Athletics Centre (£1.6m)
  - Borough wide Replacement Tree Planting (£1.2m)
  - Leisure Centres Lifecycle maintenance (£0.6m – various sites)

- Infrastructure and Investment (£0.6m)
  - Burgess Park Sports Pavilion and Pitches (£0.2m)
  - Nunhead East Lodge – Interim structural works (£0.2m)
  - South Dock Marina Lock Gates (£0.1m)
  - Burgess Park Urban Games – (£0.1m)
80. Site surveys and initial stakeholder consultations have been completed for the Adventure Playgrounds project with wider community consultation planned from Summer/Autumn 2022.

### **CAPITAL BID- Parks and Leisure- £0.850m**

81. A capital bid has been made for £0.850m to complete essential health and safety works to Dulwich Upper Wood Wall to safeguard public safety. Following extensive consultation, a detailed engineering design has been developed that allows the repair of the collapsing boundary wall at Dulwich Upper Woods whilst minimising the impact on trees. This option involves works on the public highway meaning design and construction costs have increased significantly. The cost plan on the detailed design indicates that an additional cost of £0.850m is required to deliver the repairs. This capital bid is reflected in Appendix E for cabinet approval.

### **Culture**

82. Southwark Heritage Centre and Walworth Library project opened on 19 April 2021.
83. Library infrastructure & IT projects - Rollout & implementation of the new RFID self-service kiosks was delayed due to Covid 19. However, this was implemented and completed in November 2021.

### **Environmental Services**

84. 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 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.

### **Climate Emergency**

85. So far, £13.7m of the £25m capital budget has been allocated to thirteen strategic projects that meet the council's carbon reduction ambition. These are outlined below:

| <b>Project</b>   | <b>£000</b>   |
|--|---------------|
| Window replacement in tenanted street properties   | 1,000         |
| Burgess Park - Sports Centre   | 508           |
| Crematoriums / Cemetery Buildings  | 100           |
| Upgrade to 5 library sites; Camberwell, East Dulwich, Peckham, Canada Water & Walworth                       | 3,025         |
| Upgrade to 3 children's/youth centres; Ann Bernadt, Bermondsey & Mint Street                                 | 1,791         |
| Education Building energy performance surveys  | 25            |
| Crampton Primary School - remove gas boilers and install air source heat pumps                               | 795           |
| Brunswick Park School - install air source heat pumps in sports hall and further feasibility in dining block | 295           |
| Partnership with Veolia for the greening of our waste service focusing on transport and infrastructure       | 1,000         |
| Library of Things - Walworth Library   | 40            |
| LED Street Lighting - Speed up roll out  | 2,180         |
| Expand cycle hanger programme  | 2,500         |
| Expand EV charging programme   | 400           |
| <b>Total</b>   | <b>13,659</b> |

### **Regulatory Services**

86. The GLA schools and nurseries air quality audit starter grants have been approved. Southwark schools air quality audits are more than 50% completed and expected to be completed by 30 September 2022.
87. airTEXT digital discovery project has completed using grant funds of £60K from Impact on Urban Health Charity (IoUH), and £23K from the Digital Innovation Fund. airTEXT is a free service for the public providing air quality alerts by SMS text message, email and voicemail and 3-day forecasts of air quality, pollen, UV and temperature across Greater London. airTEXT is an independent service, operated by Cambridge Environmental Research Consultancy.- The discovery project was designed to understand how airText is currently working and exploring how it might be improved to become more inclusive of ethnicity, age, or whether a different approach to distributing air quality data could be more effective.
88. EPT communications plan has been delayed due to the COVID-19 pandemic. Capital funding for the EPT #one thing air quality awareness campaign has been carried forward to this financial year. The communications plan is being reviewed with a view to commencing the activities.
89. Car free day budget has been spent at an average rate of £5K per quarter. Further car free day initiatives are planned and this is expected to be

finalised by the end of 2022-23. Example of initiatives held to date to support car free days include free bike repair works offered by Dr Bike Stand to residents and having the street closed, inviting Sustrans- an environmental charity organisation and hire bike and scooter operators to a street event. Supporting a street closure for a street procession is currently being applied to support a clean air day event to utilise sustainable travel through using cargo bikes instead of vans. We would like to continue to support initiatives that promote closing streets and utilising them for other purposes.

90. Low emission vehicle procurement and associated charging infrastructure has been completed.
91. A survey of council owned Medium Combustion Plant is under way. This project is for a survey of 19 sites where there is medium to large combustion equipment. The contractor has undertaken an assessment of all Council operated plant that is subject to the Medium Combustion Plan Directive (the directive regulates pollutants). The assessment included a survey of the plant rooms to confirm boiler equipment type and condition and reporting on likely residual lifetime, compliance options and future potential alternative heat approaches and map out methods to reduce emissions from these plant.
92. £0.01m has been spent from the Consolidation Centres Study capital budget on the Old Kent Road air quality focus area freight and logistics project to understand the impact of freight and logistics on congestion and air quality and how to inform the industry to improve the environmental conditions on the Old Kent Road. The project involved interviewing business on the Old Kent Road. Officers are taking part in other pan London freight and logistics projects and intend to identify other opportunities
93. The Mayor's Air Quality Fund budget for Walworth Low Emission Neighbourhood (LEN) is fully committed, designs are complete, and contractors are ready to order materials to spend the remaining budget. The projects included are:-
  - The road closure of Browning Road;
  - Liverpool Grove public realm improvements;
  - Reducing through-traffic to the A3 Kennington Park Road;
  - Ensuring the LEN works for local people
    - Business engagement
    - Community engagement
    - Schools engagement;
  - Encouraging active travel;
  - Supporting the uptake of cleaner vehicles;
  - Area-wide delivery and servicing optimization.

## **HOUSING AND MODERNISATION**

### **General Fund**

#### **Overview**

94. The total value of the Housing and Modernisation general fund capital programme for the ten years to 2030-31 is circa £75m and comprises a diverse range of activity, mostly of a corporate back-office nature, which supports wider service delivery across the council. Expenditure for the year was £13.8m. This is slightly higher than the £13.5m forecast at month 8, which remained cautious due to the continued impact of Covid-19.

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

95. The CFM programme enables the council to meet its statutory responsibilities for ensuring its operational buildings are compliant with health and safety regulations and ensure the wellbeing of its employees and service users. Delivery is through a comprehensive inspection and assessment regime and building lifecycle maintenance programme designed to enhance their life and maintain asset value. Notwithstanding restrictions, arising from the pandemic, substantial progress has been made as a result of this year's programme. The service received grant funding of £1.3m for Public Sector Decarbonisation Schemes, which it fully delivered in 2021-22, together with £5.4m of life cycle investment across the estate including to libraries, LED lighting in offices, investment in the coroner's court plus energy saving projects across a number of other sites. In addition to this the service also delivered projects to the value of £2.9m for departmental clients who hold the budgets.

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

96. There are a number of major projects underway and in development; not least the data centre migration to a cloud-computing environment (Azure). The council's IT infrastructure is a key asset to the delivery of a wide range of services. The investment of £4.3m in 2021-22 demonstrates that the council had been able to return the focus to the wider TDS capital programme compared with last year when the focus moved to the delivery of smart working solutions to enable the council to respond to the pandemic and maintain delivery of many key services. This year there has been significant investment to help the council achieve data migration objectives along with improvements to customer relationship management.

#### **Customer Experience – Smart Working Programme**

97. The 'modern ways of working' programme relates to projects that enable the council to transform the way it operates, a key element of which is facilitating the ability for employees to work in more flexible and efficient ways, supported by technology. Last year the acceleration of the

programme in response to the pandemic saw £5m of investment in remote working technology needed to ensure services were maintained. This year the focus returned to other elements of the programme including modernising the council's telephony and a pilot to improve audio visual capabilities, which proved successful and will be rolled out wider during the course of 2022-23. Investment continued in technology that facilitates flexible working which is a key element to modernising working practices.

### **Asset Management – Housing Renewal**

98. 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. Due to the pandemic the council had to put on hold works across all tenures in line with Government guidance. However, specific measures were put in place to ensure the service could respond to emergency requests for clients with life-limiting conditions or to support hospital discharge cases. Total spend in 2021-22 was £1m mainly of the DFG resulting in circa £1m to be rolled forward to accommodate an enhanced programme in 2022-23.
99. At their meeting March 2022, Cabinet agreed additional funding for empty homes in the private sector. This comprises a revolving £2m capital allocation to provide funding to compulsory purchase (CPO) long-term empty homes as well as increases in the annual capital funding available for grants and loans to refurbish empty homes.

### **Resident Services – Traveller Sites**

100. A comprehensive programme of reconfiguration and improvement works to address health and safety and compliance issues (principally fire safety) has been undertaken and further investment in sites continues. However, delays due to the pandemic have resulted in additional costs, namely prolonged temporary re-housing, storage of mobile homes and residents belongings, along with enhancements to the planned projects as the programme progresses. Spend in 2021-22 was £0.5m. Works at the Brideale and Burnhill sites are subject to review and will be reported to Cabinet at a later date with the remaining budget of £0.2m rolled forward to 2022-23.

### **Housing Investment Programme (HIP)**

#### **Overview**

101. The HIP outturn shows expenditure of £210.8m in 2021-22, comprising £71.9m on existing stock, £134.2m on new council homes including

acquisitions and site assembly costs and £4.7m on wider regeneration schemes. This was financed through a combination of £69.7m revenue funding, £43m of external grants, S106 and other contributions, £8.7m of RTB and other capital receipts, leaving a residue of £89.4m to be funded through borrowing. 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 on Aylesbury, Ledbury and Tustin estates, and the council's carbon neutrality commitments.

102. The scale of investment needed is unprecedented (circa £2.3 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)**

103. 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). Outturn spend for 2021-22 was lower at £52.1m compared to £61.9m projected as at month 8. Due to pandemic restrictions internal works, including the kitchens and bathrooms programme, resumed late in quarter 2 with a phased approach to ensure works are completed in a managed way. 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, will form part of the new Asset Management Strategy that will be presented to Cabinet later in 2022.

### **Building Safety**

104. In December 2021, Cabinet approved the creation of a new post of Assistant Director for Building Safety and the establishment of a dedicated Building Safety team. Funding of £1.278m was subsequently approved as part of HRA budget setting for 2022-23. Recruitment is underway and the team will, amongst other duties, oversee the Council's Priority Surveying Programme, which will enable the Council to meet new legislative requirements for building and fire safety.
105. Given the extent of council's housing stock and number of high rise blocks in scope of the legislation, the surveying programme is estimated to cost £9.8m (some of which has already been incurred on the Council's Pilot Surveys). Following the surveying programme, remediation works will be needed to keep the Council's residential buildings safe, both now and in

the future. The full cost of remediation is currently unknown, but likely to be significant and need to be prioritised over other programme commitments to ensure the HIP remains affordable and can be sustained over the longer-term. Programme costings will be assessed on completion of surveys and will form part of the refreshed QHIP going forward, estimated to be circa £80m to £100m per annum, subject to resource availability.

### **Heat Network Strategy**

106. The council recognises that substantial investment is required to bring its many and ageing heat networks up to modern standards of reliability, affordability and low carbon. A Heat Networks Strategy paper, approved by Cabinet in September 2021, identified a number of work streams designed to address the situation. The council's first residential heat pumps scheme has progressed well, with £8m spent so far at Consort, Newington and Wyndham and the entire scheme is now approaching practical completion. This is being supported by income from the Renewable Heat Incentive. Five Heat Network Efficiency Scheme (HNES) grants were awarded to the council in February 2022 and are now being spent on improvements to a number of networks. Funding has also now been secured for the next phase of the SELCHP expansion project. In accordance with the updated heat metering regulations, the council has begun a programme of meter installations which is running from April to September 2022. Alongside these installations a billing policy with in-house delivery is being developed, due to be consulted on in the coming months. Due to the poor condition of some networks, significant operational challenges remain which are being addressed through a combination of immediate repair works and longer term planned works.

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

107. 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 outside of the main QHIP programme. Outturn spend for 2021-22 on these projects was £3.9m, against a month 8 forecast of £8.8m, but revised contractor pricing submitted for the project at Maydew House has resulted in delays and is under review. There is an expectation that significant investment will take place on these schemes during 2022-23.

### **Other Programme Schemes**

108. The remainder of the main programme covers a wide range of schemes, with spend of £9.7m for the 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**

109. The Council's new homes target was achieved in March 2022 with 2,519 having commenced. At present 825 new council homes have been successfully completed across 135 schemes, with 46 schemes on site, delivering 1,694 new council homes. Work is underway to assess the GLA funding allocated to the future pipeline and ensure that the right GLA funding allocation is provided. The programme outturn spend for 2021-22 was £134.2m, some £21.2m lower than forecasted at month 8. However, there are a number of reasons underlying this namely:

- Schemes have experienced delays in achieving planning which has resulted in them not starting on site as planned.
- Delays in the tender process and contract award have been experienced particularly as cost and availability of materials has risen.
- Schemes have been put on hold due to inflated tender submissions which has resulted in them being no longer financially viable.

## **Restructure – Southwark Construction**

110. Following the creation and launch of Southwark Construction in April 2022, the council now has a team of project managers, skilled in construction methods, materials, building safety and an overall broad knowledge with the ability to appoint and challenge contractors and consultants and achieve best value for residents. The council has created an agile and diverse workforce aligned to the programme work flow with greater control over social value.

111. Southwark Construction will work with other departments to put in place policies and procedures that will ensure that the council fulfils its obligations as the freeholder of the block as well as providing the customer experience that home owners expect.

## **Future New Homes Programme**

112. The new target is to deliver a further 1,000 council homes and 500 new keyworker homes by 2026, with the aim to deliver a steady supply of new council homes aimed at around 400-500 homes per annum post 2026. All schemes have been allocated to the relevant teams and project managers have been assigned. This will be reviewed periodically to ensure that the programme is fully resourced and working towards the target. At present in 2022-23 (year 1), it is expected that a large proportion of the 1,000 council homes target will be achieved. Further modelling of the schemes will be undertaken to establish the 500 keyworker homes requirement.

113. The main risk on the programme remains the unpredictability of the market, potential of significant cost increases in all aspects resulting from the impact of Brexit, Covid and the availability of materials and labour. This position is likely to increase and we should not be surprised at experiencing

30% uplift in build costs as a minimum.

### **Buyback 20 & 40 schemes**

114. In 2020, MHCLG made £161m grant funding available to local authorities to purchase one bedroom units on the open market to increase available stock to house rough sleepers. The council made a bid in October 2020 which was approved with a project completion deadline of 31 March 2022. £1.2m of grant funding was agreed to enable the council to purchase 20 ex-RTB one bedroom units with an overall budget of £6.3m (the Buyback 20 scheme). Cabinet subsequently approved additional funding of £12.8m to purchase a further 40 units (the Buyback 40 scheme).
115. As at year-end, the council has successfully acquired 20 properties under the Buyback 20 scheme at a cost of £4.9m. The remaining budget will be rolled forward to 2022-23 for any associated costs and will be financially complete during the year. In addition, a further 37 properties have been successfully acquired under the Buyback 40 scheme at a cost of £10.8m, with the remaining budget similarly rolled forward to this year to conclude the outstanding completions and associated costs.

### **Regeneration Schemes**

116. Outturn spend on regeneration schemes was £4.7m, with most of the existing projects now drawing to a close. Acquisitions on the Aylesbury Estate account for the majority of spend (£4.5m).

### **Responding to the climate emergency**

117. 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 boilers 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**

118. 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**

119. 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**

120. 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.

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

### **BACKGROUND DOCUMENTS**

| <b>Background Papers</b>  | <b>Held At</b>  | <b>Contact</b>  |
|---|---|---|
| Policy and Resources Strategy: capital monitoring report, including capital programme update 2021-22 (month 8)  | Southwark council<br>Finance and Governance<br>160 Tooley Street<br>London<br>SE1 2QH | Tim Jones,<br>Departmental Finance Manager,<br>Finance and Governance |
| <b>Link (please copy and paste into browser):</b>   |   |   |
| <a href="https://moderngov.southwark.gov.uk/documents/s104877/M8%202021-22%20Capital%20Monitor%20Final%201%20Feb%202022%20v2.pdf">https://moderngov.southwark.gov.uk/documents/s104877/M8%202021-22%20Capital%20Monitor%20Final%201%20Feb%202022%20v2.pdf</a> |   |   |

## APPENDICES

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

## AUDIT TRAIL

|   |   |                          |
|---|---|--------------------------|
| <b>Cabinet Member</b>   | Councillor Stephanie Cryan, Finance, Democracy and Digital      |                          |
| <b>Lead Officer</b>   | Duncan Whitfield, Strategic Director of Finance and Governance  |                          |
| <b>Report Author</b>  | Tim Jones, Departmental Finance Manager, Finance and Governance |                          |
| <b>Version</b>  | Final   |                          |
| <b>Dated</b>  | 6 July 2022   |                          |
| <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 Governance  | 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>                    |   | 6 July 2022              |