

Item No. 9.	Classification: Open	Date: 13 September 2022	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy: capital monitoring report month 4 2022-23	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Stephanie Cryan, Finance, Democracy and Digital	

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

We remain committed to an ambitious capital programme, despite pressures we are seeing in inflationary costs and interest rate rises. Our capital programme delivers real and tangible benefits for our residents and despite ongoing financial pressures, we continue to invest in this delivery to improve their neighbourhoods and their way of life.

We continue to invest in projects to help tackle the Climate Emergency and to meet our commitment to be net carbon neutral by 2030. We have a £25m capital fund for individual climate emergency projects and have already committed £21m to new projects, which are detailed in this report, over and above those existing projects that seek to have a positive environmental impact.

Our range of projects covers all areas across the length and breadth of the Borough. We have committed to improving air quality, increasing the number of cycle hangers, improvements in care home settings, children’s homes, parks and leisure centres. This includes work already underway on the Canada Water Leisure Centre, which is due to open in 2025. In addition, the council continues to provide funding for Southwark residents through the Cleaner, Greener Safer programme. This has supported over 4,000 projects since inception, with projects such as playground renovations, tree planting, upgrades to sports facilities and food growing projects.

In addition, the building of new council homes remains a key priority. By May this year, we completed or were on site with 2,515 new council homes. The scale of funding for the housing investment programme is unprecedented with a forecast total expenditure of £2bn over the period 2022-23 to 2031-32. The new council homes programme and wider housing investment programme is extremely ambitious. However, this is now experiencing significant economic risk through rising interest rates, together with the potential for cost overruns, due to huge inflationary pressures particularly in energy costs, building materials and labour costs.

The existing programme will be reviewed in the autumn to reflect these increased pressures on original budget provision and the need to provide updated spend profiles, not least in the context of market capacity to deliver projects. Also, there will need to be a fundamental review of borrowing requirements in line with the prudential code and new government borrowing restrictions and increases in interest rates that will impact on revenue budgets during a very difficult period ahead. While there may be limited scope for increasing the council's borrowing headroom, the expansion of the programme will be unlikely, as the extra borrowing will simply offset the additional costs of the current programme.

RECOMMENDATIONS

That cabinet:

1. 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;
2. Notes the significant funding requirement of £280m 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;
3. Notes the £2bn housing investment programme to be fully delivered over the remaining term of the programme, as detailed in Appendix B.
4. Note the significant contribution the capital programme is making towards the objectives of the council's climate change strategy (see paragraphs. 17-18, 83-85, 120).
5. Approves the review of the entire capital programme cost estimates, profiles and priorities by the Strategic Director of Finance and Governance and the Cabinet Member for Finance, Democracy and Digital, which will be reported to Council Assembly in Feb 2023.

BACKGROUND INFORMATION

6. On 18 July 2022, the 2021-22 Outturn Capital Monitoring report was presented to Cabinet. This reported programmed general fund expenditure of £531m over the 10 year programme and in-year expenditure of £97m against programmed spend of £109m. The Housing Investment Programme stood at £2.3bn with in-year expenditure of £211m against programmed spend of £251m.
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 a Section 106 (S106) planning agreement 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.
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 23 February 2022, the council assembly noted the refreshed 10 year general fund capital programme and housing investment programme (HIP) for the period to 2022-32.
10. Given very high rates of inflation, the capital budgets need to be revisited to ensure that the programme is updated to the current price base and inflationary pressures are captured in the programme for the period to 2032. This re-fresh will be reported to Council Assembly in February 2023.

KEY ISSUES FOR CONSIDERATION

Programme position at month 4 2022-23

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 2022-2032;
 - Appendix B sets out the housing investment programme for 2022-2032;
 - Appendix C sets out capital programme budget virements and variations for approval;
 - Appendix D provides further detail on the general fund capital programme 2022-2032;
 - 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 month 4 2022-23. The total programmed expenditure over the period 2022-23 to 2031-32 is £443m. Forecast expenditure in 2022-23 is £112m against a programmed spend of £176m.
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 27 to 105) provide further details.

Housing Investment Programme

15. The housing investment programme is forecasting total expenditure of £2bn over the period 2022-23 to 2031-32. Forecast expenditure in 2022-23 is £429m against a programmed spend of £456m.
16. A breakdown of the schemes and budgets within the housing investment programme is included in Appendix B. Further narrative is provided at paragraphs 106-119.

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 83 provides further detail on projects currently funded from the £25m fund.

Resourcing the 2022-23 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 makeup 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 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 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 2022-23, 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 capital programme progress at month 4 by department for 2022-23.

CHIEF EXECUTIVE'S DEPARTMENT

28. The total value of the capital programme for the department is currently £136m for the period. The projected 2022/23 outturn is £51m against the budget of £93m and the budgets for future years will be reprofiled accordingly.

Planning & Growth Division

29. The Sustainable Growth and Property Services teams within Planning & Growth have a combined budget of £108m with expenditure incurred to the end of July 2022 amounting to £1m.

Canada Water Leisure Centre

30. As previously reported, the scheme is on site and it is anticipated that the new leisure centre will be handed over to the council in the third quarter of 2024-25. The scheme is progressing in accordance with the programme and the main pool and learner pool have recently been completed.

Elephant and Castle Open Spaces

31. Victory Community Park – The final design has been submitted to planning with an anticipated decision in November 2022. Construction is expected to commence in Spring/Summer 2023.
32. Nursery Row Park - Public consultation on the proposals for the park will be take place in Summer/Autumn 2022 in advance of a planning submission in late Autumn 2022.

Peckham Rye Station Square

33. The first phase of works to construct new commercial space on Blenheim Grove, which will provide space to enable businesses in phase 2/3 to relocate, is expected to complete this financial year. Procurement of phase 2/3, which includes the demolition of existing buildings in front of the station building and the creation of the new civic square, will start in 2023-24. This scheme will be further complemented by a planned major upgrade to Peckham Rye station, which is currently awaiting planning permission. This will deliver a fully accessible station, subject to Department for Transport (DfT) funding.

Peckham Square

34. The extensive consultation on the project demonstrated significant local concerns about anti-social behaviour and fear of crime in the square. In response, the project has been reviewed and it is now proposed that the work will be phased with an initial focus on addressing the environment at

the southeast corner of the square, including increased passive surveillance and providing a new home for Peckham Platform at the council owned 91-93 Peckham High Street.

Aylesbury Plot 18

35. This council flagship scheme will provide new community facilities including a new library, health centre with GPs and community health facilities, plus an early years facility and a new public square. The new community facilities are expected to be completed by the end of this financial year.

Livesey Exchange

36. The Livesey Exchange project is a £1.6m community-led project, funded by the Department for Transport (DfT) Future High Streets fund, Greater London Authority (GLA) Good Growth fund and Stride programmes, which will provide new work and community event space on the Old Kent Road. Works are progressing well on site and the foundations and ground floor slab have now been completed. Completion is expected this financial year.

Camberwell Station Road

37. This project is a £1.5m, GLA-funded scheme that will provide significantly improved public realm, soft landscaping and Sustainable Drainage Systems (SUDs) in this neglected part of Camberwell. The stage 3 design is now completed but further public engagement will take place before the design is completed. A start on site is now expected in Spring 2023.

Voluntary Sector Strategy

38. The Voluntary Sector Strategy requires necessary works to Voluntary and Community Sector buildings, in particular the refurbishment of the Sojourner Truth Centre, which is underway and will be completed by the end of August 2022. Additional projects have been identified where buildings are in poor condition and the council will need to invest to bring them back into use. These are currently being appraised, for example, 12a Asylum Road and the former Wells Way Library and Baths building. Complimentary funding may be available from the Heritage Lottery Fund and Carbon Offset Fund. We have drawn up individual capital bids for these and some commercial assets in a similar position. These will now be presented to the Asset Investment Board and Cabinet will be updated in a subsequent capital monitor report.

Pullens Yard Improvements

39. Pullens Yards Improvements is an ongoing project to achieve fire safety compliance in the old workshops adjoining the 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 for 23 more units within the Pullens Yards estate, consisting of effective fire compartmentation plus ancillary works, over the three years to 2025. The contractor is to be procured with a view to next phase of works commencing in Q2/Q3.

Void Shops

40. To ensure that vacant shops and premises are re-let, the council must 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 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 granting of leases is to remain lawful. By April 2023 all premises will need an EPC of E or higher.

Strategic investment property acquisition

41. The council owns a number of investment-grade assets for income generation and strategic reasons. These include a number of offices, retail and industrial premises located in the north of the Borough and in the Old Kent Road area. Opportunities to add to the portfolio are appraised using an Asset Investment methodology administered by the Asset Investment Board, to provide additional assurance in Cabinet decision-making. A capital bid for strategic property acquisition will be brought forward in future reports to be considered by Cabinet.

Elephant and Castle New Tube Station

42. The capital programme includes the remaining s106/CIL contribution of £27.92m (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

43. The total value of the departmental capital programme for the 10 year period from 2022-23 to 2031-32 is £103m.

Adult Social Care

44. The capital programme budget for the period 2022-23 to 2031-32 is £29.8m, the main projects being; £15.2m in respect of a programme of improvements to existing care settings, £10m for the provision of an additional bed-based care facility and £4.4m for an essential lifecycle capital programme for four residential care homes.
45. The activity on the programmed life cycle work has been considerably affected during the pandemic. This resulted in some delays in the planned work on a number of sites. Refurbishments have now restarted in Therapia Rd, Mount Adon Park and Grosvenor Terrace and other sites. The 2022-23 expenditure forecast is estimated at £581k.
46. The lifecycle work on residential homes has resumed after the pandemic. Lift replacements at Greenhive and Rose Court will run simultaneously, with the other homes to follow once the project is completed. The agreed work programme is expected to finish in 2022-23 with an estimated maximum spend of £522k. A Gateway 1 (GW1) for the next couple of years is being prepared. 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 with planned application for sustainability funding.
47. The Adult Social Care Capital Board has identified a number of priorities for 2022-23 and beyond to meet current and future needs of vulnerable adults in the borough. Such as a contribution to the Changing Places Toilets project as well as a contribution towards the adults social care community/day centre space next financial year as this will require fitting out with a fully equipped kitchen and accessible toilets. In order to reduce the burden on adult social care we need to support services that deliver to all, not just those with Care Act Eligible needs. Accessibility is the key to improving the lives of those with disabilities and their carers.
48. 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

49. The Children's Services and SSF capital programme budgets for 2022-23 to 2031-32 total £73.5m, the main projects and programmes being; £13.2m for the schools refurbishment programme, £4.8m for Rotherhithe School, £5.9m for Riverside school, £12.5m for Charter school, £13.8m for Beormund Special School and £2.3m final payments and retention for Southwark Inclusive Learning Service (SILS) provision for Key Stage 3 (KS3)

50. The overall programme is focussed on rightsizing provision, ensuring the estate remains fit for purpose and on contributing to addressing high needs provision within the borough. Rising construction prices related to post Covid effects, Brexit and high energy costs are affecting the capital programme by increasing demands on existing resources. Construction prices rose by 25.2% from April 2021 to April 2022, according to the Department for Business Energy and Industrial Strategy, with month-on-month prices rising by 2.3%. Material costs are beginning to stabilise but the shortage of labour is now the biggest concern for contractors with wage inflation outstripping the general market place.
51. There is spare capacity in the primary sector (spread unequally across the borough) because of falling rolls relating to a reduced birth rate and a change in the population demographic. In addition, there has been a reduction in pupil numbers in the earlier secondary year groups. Opportunities are being explored for rationalisation of buildings to make the best use of existing assets to reduce running costs for schools. These proposals may be subject to future capital bids. There is also pressure to increase pupil places for children with special needs, which is a national issue.
52. A key priority of the programme is to ensure that any new school buildings are constructed in line with the council's target to become carbon neutral by 2030. To address this, all current new buildings are designed to a BREEAM (Building Research Establishment Environmental Assessment Method) 'excellent' standard as a minimum. On existing schools, there is a separate programme to upgrade these to be as energy efficient as possible with the objective to remove all fossil fuels from the school estate.

Primary provision

53. The Primary School refurbishment programme delivers a yearly programme of planned refurbishment works alongside emergency reactive works where necessary. The 2022-23 programme is underway. Under this programme, the decarbonisation strategy for the school estate will also be included to make schools more energy efficient and move away from using fossil fuels in the heating of schools.
54. 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 reducing in line with falling rolls. Therefore the yearly programme will decrease from 2023-24, unless alternative funding is sourced.
55. Rotherhithe School is being redeveloped and expanded from a 2 form entry to a 3 form entry school, as the existing buildings were in a poor state and becoming life expired and also to address the increased need for primary places due to new residential developments in the local area. These residential developments are now being built in and around the Canada

Water area. The main works are now complete and the new school was opened for use in July 2022. Demolition of the existing school and landscaping are expected to be complete in early November 2022.

56. Riverside school is being redeveloped to re-provide defective early year's classrooms, dining space and safe access into the school. Design work is underway with work anticipated to start on site in late spring 2023.

Secondary provision

57. The Charter School East Dulwich is being expanded to address a shortfall in spaces in the local area. The project is in its final stage, as the demolition of the remaining buildings has completed. The contract to construct a new hall and refurbish the listed Chateau building is subject to a re-tender. The completion date for the project has been delayed due to the main works contractor withdrawing from the contract and so new procurement arrangements are underway. The project is now expected to complete in 2024-25.

Children with Special Educational Needs and Disabilities (SEND) provision

58. Beormund School is being relocated as part of a wider redevelopment of the existing school area for residential use. The new site on Reedham Street in Peckham will provide a purpose built facility with an increased capacity for pupils and will support modern teaching techniques and learning for the Beormund, Social, Emotional and Mental health (SEMH) School. The project is currently in its final design stage, with enabling works planned to commence in Autumn 2022. The main works are anticipated to commence on site in Spring 2023.
59. In order to address a growth in the number of pupils with Education and Health Care Plans (EHCPs), options are being explored to expand SEND provision in Southwark to avoid placing pupils out of borough. As a part of this programme, a classroom in Tuke School will be extended to provide 8 additional spaces for children with EHCPs. Southwark has received £9.6m Education and Skills Funding Agency (ESFA) High Needs Capital funding for 2021-24 in order to deliver this programme of works.
60. There has been some slippage in the opening of a resource unit at City of London Academy and the planned project at Southwark Inclusive Learning Service (SILS) KS4 needs to be reviewed given the delay caused to the new homes scheme and the re-provision of SILS KS4 as part of this project. This may be subject to a future capital bid.

Children's and Families

61. The Children and Families Division's aspiration is to create children's homes capacity within the boundaries of the borough, in order to provide a

fairer opportunity for some of our most vulnerable young people who are placed far from their networks and communities.

62. With the help of a £1.85m capital grant from the DfE, a 5-bed property at 18 St Mary's Road in Peckham is being converted into a children's home. The planning application was submitted in mid-July and is currently out for consultation. The works tenders were received by the Council in early August and are currently being evaluated. The intention is for contract award during the course of August, and for works to start on site very soon thereafter, in late August or early September.

ENVIRONMENT & LEISURE

Summary

63. The total value of the departmental capital programme for 2022-23 to 2031-32 is £139.5m. The projected 2022-23 outturn is £33.2m against the budget of £36.8m. The budget for future years has been re-profiled in line with the projected expenditure.
64. The progress of major schemes is outlined below.

Highways

65. The Non Principal Road (NPR) programme delivering major resurfacing of footways and carriageways is currently on target. Highways are currently reviewing road condition data available to inform the Principal Roads Programme for the coming years. A programme and forecast of what is required to maintain the overall condition factor is currently being produced and the capital forecast will be updated accordingly.
66. The School Streets programme is currently being expanded to meet with the council's commitment to improve air quality and road safety at every Southwark school.
67. Highways Community Infrastructure Levy (CIL) projects are on track to complete by March 2024, as required by the programme. Implementation of the Liverpool Grove improvements is due to start on site in September. 2022 Toulmin Street footway widening is programmed to start on site in February 2023. The College Road crossing is now fully funded, but a shortfall remains on Long Lane and Southwark Park Road that will need to be addressed before the schemes can progress to the construction stage.
68. Site works carried out under the cycle infrastructure fund in the Rye Lane area are now complete. Design work on the Southwark Spine at Bellenden Road has progressed ahead of programme and works are now expected to start on site in February 2023 with completion in May 2023. Part of the construction cost has been brought forward to this financial year to reflect this. The start on-site date for Cycle Superhighway 4 has been further

revised to October 2022, due to an ongoing funding situation with Transport for London (TfL).

69. Cox's Walk footbridge works is now programmed to commence in October 2022. The projected cost is £700,000 which will account for two years capital allocation
70. The cycle hangers programme is on target to install 125 hangars this year, which doubles the council's current provision by March 2026. £2.5m climate change funding has been secured to continue this programme beyond the current forecast and will need to be added to the capital monitor.
71. The council has pledged to make Southwark a cycle friendly borough and reduce air pollution from vehicles. To help reduce the numbers of car journeys to and from schools there is a need to offer training not just to students but also to parents/carers and adults. Hard to reach groups such as teenagers and women must be supported, with women instructors available to women only groups. Businesses need to be supported and encouraged to use cargo bikes for local deliveries.
72. TfL have funded cyclist training by £250,000 per annum for the last 10 years, through its Local Implementation Plans programme, which manages the TfL-maintained 'red routes' through the borough. This has always been fully spent with demand exceeding funding. This funding stream has now become extremely uncertain both in terms of the amount and timing. As a result, planning and achieving the council's targets has become more difficult. To meet the Council commitment of free cycle training to every resident in the borough, a capital bid will be submitted for the year 2023-24 and beyond.
73. The Cleaner Greener Safer programme has had a huge impact in supporting Southwark residents to transform their local areas since 2003 with over 4000 projects and grants being funded, including playground renovations, upgrades to sports facilities, new estate cycle parking, tree planting, food growing projects, fencing and lighting improvements. The funding allocation of £1.88m per annum has remained constant over the years against rising costs in staffing and significant increases in construction costs and materials. Construction and material costs have doubled in the past 24 months. It is becoming increasingly difficult to deliver the same level of projects within the funding available and therefore a capital bid will be submitted for the year 2023-24 and beyond.

Asset Management

74. The programme for streetlamp column and lantern replacement, to ensure structural integrity and energy consumption reduction respectively, is on target for completion. The forecasted spend has been re-profiled to match the four year operational programme. This has meant a reduction in spend

for 2022-23 and 2023-24. LED replacement is also being carried out which will also have a linear spend profile over a four year period.

Parks and Leisure

75. Forecast expenditure for 2022-23 on the Parks and Leisure Capital Programme is £12.2m. The programme includes 35 individual projects. The most significant 2022-23 expenditure in the Parks and Leisure Capital programme will be in respect of the following projects:

- Burgess Park Sports Pavilion and Pitches - £6m
- Active Southwark Community Investment Fund - £1.1m
- Borough wide tree planting programme - £950k
- Infrastructure and Investment Works - £822k
 - Includes Peter Hills Bridge Replacement (£400k), Wells Way Wall (£100k), Lucas Gardens (£300k), Burgess Park Bridge to Nowhere (£210k) and Lighting Replacement Programme 22/23 (£125k)
- Leisure Centres Lifecycle maintenance - £435k (Dulwich and Camberwell Leisure Centres)
- Cossall Park Upgrade – £399k
- Pelier Park Upgrade – £370k
- Nunhead East Lodge – £241k.

South Dock Marina (SDM) - Essential Works

76. Final works are underway on the SDM Lock Gate Repairs and due to be completed in October 2022 (£122k)

77. Boatyard Development:

- Work underway to finalise specifications for upgrading the electrical infrastructure of the boatyard and marina to cope with increased electrical demand.
- Formalising the contract for architect services for boatyard redevelopment is in progress. Works include replacing and relocating existing toilet and shower block facilities, re-surfacing works and repositioning commercial storage containers
- Forecast expenditure of £300k in 2022-23 .

Culture

78. Library infrastructure & IT projects – The remaining budget for 2022-23 will be used to fund the following projects:

- a Wi-Fi printing and card payment facility for customers,
- a new people counter technology system to enable data analysis of library usage,
- all public computers are to be refreshed across the service,
- Kingswood house clearance costs and the refit of the new Kingswood library on Seeley Drive.

79. These projects are all in progress and are currently due to be completed by the end of 2022-23.
80. Southwark Heritage Centre & Walworth library – The final payment has been made to the council’s construction partners Lendlease. The other outstanding projects are the Southwark Today exhibition installation project, additional book spend for the library and maintenance work required on doors and access panels. There is an underspend on these projects of £551,613 which will be transferred to the regeneration capital programme.

Environmental Services

81. The council is committed to doing all it can to get the borough to be carbon neutral by 2030. Cabinet has agreed a climate strategy and action plan, which sets out the steps we need to take to achieve this. As well as reducing carbon across the borough, the council must reduce its own operational emissions. The carbon reduction capital programme is supporting projects to do this. Already the council has more than halved emissions from its operational estate and this capital will help support projects to continue to reduce the council’s carbon emissions. £1.2m of the £2.5m has now been spent or allocated on projects specifically reducing the council’s carbon emissions.
82. Cabinet agreed an additional £25m capital budget to enable the council to do more, faster, to reduce carbon emissions. £21m of the £25m has been allocated to strategic projects that meet our carbon reduction ambition as set out in the council’s climate action plan. This includes decarbonisation of the council’s vehicle fleet, expansion of LED lighting on our streets and carbon reduction of our operational estate, schools and housing. Recent allocations within this fund include capital investment to improve biodiversity and supporting community energy.
83. So far, £21m of the £25m capital budget has been allocated to the strategic projects that meet the council’s carbon reduction ambition. These are outlined below:

Project	£000
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

Project	£000
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
Funding to improve walking in Southwark	1,000
Green Space Enhancements and Biodiversity Improvements	1,000
Southwark Community Energy Fund	400
Council's own emissions	5,000
Cargo Bike Expansion	100
Total	21,162

Regulatory Services

84. The approved GLA schools and nurseries air quality audit starter grants have been spent on completing audits in 23 schools. The schools air quality audits have now ended.
85. Applications for starter grants for Southwark audits are expected to be received from September 2022. This grant will be given to schools involved in the audits to complete works.
86. The discovery phase of the digital airTEXT project has been completed using grant funds of £60K from the charity Impact on Urban Health (IoUH) and £23K from the Digital Innovation Fund. This 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. Further work will take place developing this application for more effective and versatile use.

87. The next steps for airTEXT, the alpha and beta development phase, is now seeking gateway consent to let contracts to improve the airTEXT service in September 2022. The expenditure of awarded grant funds from Defra and IoUH will commence from September 2022.
88. The Environmental Protection Team communications plan was significantly delayed owing to the COVID-19 pandemic. However, work is in progress with colleagues in the Communications Team to resume this campaign. £240k of capital funding for the EPT #onething air quality awareness campaign has been carried forward to this financial year.
89. £10k has been spent from the Consolidation Centres Study capital budget on a project to understand the impact of freight and logistics on congestion and air quality on the Old Kent Road. This also seeks how to inform the industry to improve the environmental conditions on the Old Kent Road. The project involved interviewing affected local business. Officers are taking part in other pan-London freight and logistics projects and intend to identify opportunities by the end of 2022-23.
90. 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.
91. Further car free day initiatives are planned and this is expected to be finalised by the end of 2022-23. Examples 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. The team covered the cost of marshals and administrative costs of the road closure for a street procession. We are also currently supporting a community-led clean air-themed concert in Southwark Park by funding the use of sustainable cargo bikes for that event instead of vans. We would like to continue to support initiatives that promote closing streets and utilising them for other purposes.
92. Low emission vehicle procurement and associated charging infrastructure has been completed with two pool cars replaced with fully electric vehicles

and six charging points installed, three each at the Tooley Street and Queens Road sites.

93. A survey of council owned Medium Combustion Plants 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 Plants Directive (MCPD). 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.

CAPITAL BID

Priority Health and Safety Works = £1.195m (new capital bid)

94. The Parks and Leisure service has identified priority works to maintain health and safety compliance at various assets in the borough. Essential roof repairs at Dulwich and Camberwell Leisure Centre (£650k); replacing the pontoons at Surrey Docks Leisure Centre (£450k) and replacing aging electrical wiring for the residential properties managed by Parks and Leisure department (£120k). The capital bid is requested to carry out works to the value of £1.195m. This capital bid is also reflected in Appendix C and is submitted for cabinet approval.

HOUSING AND MODERNISATION

General Fund

Overview

95. The total value of the Housing and Modernisation general fund capital programme for the ten years to 2031-32 is circa £63.7m and comprises a diverse range of activity, mostly of a corporate back-office nature, which supports wider service delivery across the council. Projected spend for the year is £10.5m.

Asset Management - Corporate Facilities Management (CFM)

96. 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. Delivery is through a comprehensive inspection and assessment regime and programme of building lifecycle maintenance. Restrictions arising from the pandemic have now largely been removed and the current plan is for council staff to complete a phased return to pre pandemic working arrangements from 1 October 2022. This date coincides with the start of a new contract for FM services awarded earlier this year with CFM currently managing the completion and exit of investment projects with the outgoing provider and

preparing for new projects with the new provider. Some caution is therefore necessary in terms of what will be delivered through this period of transition which is reflected in the forecast of £1.6m for lifecycle and compliance related investment projects funded by CFM, along with a further £3.5m of wider investment projects to the council's estate on behalf of other departments.

97. The continuous lifecycle nature of much of what CFM deliver means that the service will have to review the remaining budget allocation previously approved by cabinet to consider whether it remains sufficient to fulfil investment needs over the next 10 years and seek to confirm any variation requirements in a future capital programme refresh report.

Customer Experience - Technology and Digital Services (TDS)

98. TDS supports and manages investment in the council's IT infrastructure that is necessary to improve the on-line experiences for residents enabling them to find the information and guidance they require and access our services. Investment in technology will enable staff to deliver improved public services across communities and the council become one of the best-connected and digital boroughs in London. Use of emerging technology and data helps to enhance our communities and to ensure that residents are able to connect to fast accessible broadband.
99. The current forecast capital investment for 2022-23 is £5m. Key deliverables include the development of the Customer Relationship Management (CRM) system to improve use of data, technology transformation across the Housing department following the Future Gov review. Development of a new web customer portal, completion of the data centre migration and refresh of the network infrastructure. Other important projects are IT security compliance, website and intranet replacement and a range of other smaller scale projects complete the plan for this year.
100. It is anticipated that the current investment plan will consume the remaining approved capital resources by 2024-25. The nature of technology inevitably means that a further resource approval will be required over the 10-year programming horizon and the service will be developing mid to long-term strategies and setting out the investment requirements going forward in a future capital programme refresh report.

Customer Experience - Smart Working Programme

101. Capital investment this year is forecast at £2m, which together with £6.6m delivered in previous years will largely draw this particular programme to a close. The success of the laptop rollout in response to the pandemic allowed resources to shift towards planned upgrades in areas such as telephony and audio-visual conferencing. These investments support the council's commitment to modernise the way it works, creating flexibility in

the delivery of services and opportunity to drive efficiency and make savings.

Asset Management - Housing Renewal

102. 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 empty properties back into use. This support is provided through the provision of grants and loans and is largely funded through Disabled Facilities Grant (DFG) and the council's own resources.
103. The projected spend for 2022-23 on DFG is £1.4m with a total forecast spend for the service overall of £1.6m. The focus will be to work to reduced timescales to maximise the volume of projects undertaken, as there is a waiting list of applicants following the pandemic. In terms of resources, there has been a cumulative upward variation in DFG funding of £2.3m over the ten year programme. This reflects a change in the assumption for DFG income, which is now estimated at £1.7m annually in line with the current year's determination.
104. Cabinet in February 2022 approved £2m additional resources specifically for the compulsory purchase of empty homes, in addition to the £1.1m per annum available for the programme between 2022 and 2026. The council is now putting in place resources to deliver these services, including employing an additional surveyor and project assistant, which may cause some slippage in the spend profile assumed originally. The council is also in the process of promoting these additional services and increasing the funding offer available to empty property owners through updating the council's empty homes web page and the borough wide newsletter.

Resident Services - Traveller Sites

105. 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. Fire Safety works at Brideale and Burnhill sites are planned to be complete by year-end, with the remaining budget of £0.2m expected to be fully spent.

Housing Investment Programme (HIP)

Overview

106. The headline HIP projected spend for 2022-23 is £428.7m, comprising £114.8m on existing stock, £303.4m on new council homes including acquisitions and site assembly costs and £10.5m on wider regeneration schemes. This would represent the largest annual capital investment ever made by the council and the forecast should be treated with a degree of caution at this stage. Provisional financing would be through a combination of £68.8m revenue funding, £46.6m of external grants, £16m S106 and other contributions, £67.0m of RTB and other capital receipts, leaving a residue of £230.3m to be funded through new 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.
107. The scale of investment needed is unprecedented (circa £2.0 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 inform plans to ensure the sustainability of the HIP and help determine priorities going forward.

Quality Homes Investment Programme (QHIP)

108. QHIP is the principal strand of the Council's asset management strategy, approved by Cabinet in 2016 (and the successor programme to Warm, Dry, Safe (WDS)) for maintaining and renewing the existing housing stock to ensure it remains in good condition. Forecast spend for 2022-23 is currently £91.6m, including a full internal works programme incorporating kitchen and bathroom installations. A re-profiling of the QHIP to take account of new legislative demands around building and fire safety, as well as Council commitments to reduce carbon emissions, will form part of the revised Asset Management Strategy that will be presented to Cabinet later in the year.

Heat Network Strategy

109. 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. An independent report in 2016 estimated investment of £100m over ten years and a total of £350m over forty years would be required, which did not include for decarbonisation at that time. 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 at Consort, Newington and Wyndham estates is now live and supplying low carbon heat to over 2,000 homes. Five units with a combined rating of 3.4MW use ground water from the London Aquifer to generate low carbon heating, saving a projected 3,848 tonnes CO2 per year. Capital for the scheme was partly sourced from the Mayor's Energy Efficiency Fund (a low interest loan) and revenue is generated, over the life of the heat pumps, from the Renewable Heat Incentive. We have recently received a grant offer from the GLA to explore expanding our heat pump project to other estates (grant subject to Support Agreement terms being agreed). In February 2022, five Heat Network Efficiency Scheme (HNES) grants were awarded to the council and these projects are now mostly complete, delivering small-scale improvements. Regarding our SELCHP heat network: in March 2022 a total of £16m of commercialisation grant, construction grant and construction low interest loan was secured by Veolia, with the Council's support, to deliver a significant expansion to the network. This project would deliver substantial carbon savings and other benefits to many of our existing estate networks when connected. Design, planning, consultation and legal work streams are all now underway. In accordance with the updated heat metering regulations, the council is now installing >1,000 property heat meters. Alongside this work, a draft metering and billing policy has been developed, and this is due to be consulted on throughout August and September 2022. Due to the poor condition of some of our networks, significant operational challenges remain, which are being addressed through a combination of immediate repair works and longer term capital works.

Aylesbury - Heating and Fire Protection

110. Investment of £3.5m is projected to be spent in 2022-23 to maintain safety and provide a consistent supply of heating and hot water on the Aylesbury estate. This comprises a fire protection review and works to the low rise blocks, boiler house and plant rooms, including a complete plant room replacement.

Special Schemes (High Needs)

111. 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. Forecast spend on these projects this year is £6m, most of which relates to the project at Marie Curie.
112. Regarding the refurbishment of Maydew House, replacement of the Bede Centre and the building of new homes on the existing Abbeyfield site, the Council will now undertake further scoping works to establish how the wider site can be developed to increase the number of new homes. Consultation with residents and the local community will help to shape the proposals.

Other Programme Schemes

113. The remainder of the main programme covers a wide range of schemes, with spend of £11.4m 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

114. The council achieved its aim to deliver or start construction on 2,500 new council homes by May 2022, with 2,515 new homes having been completed or commenced by March 2022. In the last quarter (April to June 2022) 44 homes have been completed with work on 129 homes started on site. In achieving the initial milestone (2,500), a large proportion of the approved GLA funding had been claimed by the end of April. Southwark Construction are working with the GLA to assess the grant funding allocated to the future pipeline and ensure that the right GLA funding allocation is provided. Following the council's recent decision to pause the rooftop homes programme due to affordability, discussions are underway with the GLA to reallocate the grant funding originally allocated to this programme to other schemes.
115. 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 per annum post 2026. The forecast spend for new homes, housing regeneration programme and acquisition is £303.4m. Of this, £219.9m is for the 46 schemes already on site. Cabinet will be aware that the new homes programme and wider HIP is extremely ambitious and is not immune to the wider economic climate. The unpredictability of the housing market, rising interest rates, the potential for significant cost overruns due to rampant inflationary pressures (particularly energy costs, building materials and labour costs) all contribute to increasing uncertainty and heightened risk which needs to be kept under close scrutiny and managed prudently and in good time to ensure the programme remains affordable.

Buyback 20 & 40 schemes

116. In 2020, the Ministry of Housing Communities and Local Government (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).

117. As at 2021-22, the council had successfully acquired 20 properties under the Buyback 20 scheme at a total cost of £5.5m. The remaining budget was rolled forward to 2022-23 for any associated costs and will be financially complete by year-end. In addition, a further 39 properties have been successfully acquired under the Buyback 40 scheme to date. The scheme will be completed this year, with £1.4m of the remaining rolled forward budget of £1.7m spent as at month 4.

Regeneration Schemes

118. Forecast spend on regeneration schemes for 2022-23 is £10.5m, with most of the existing projects now drawing to a close. Acquisitions on the Aylesbury Estate account for the majority of the forecast (£9.8m).

Responding to the climate emergency

119. The HIP 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

120. 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

121. This report provides an update on the council's capital programme as a whole and includes climate change programme updates. 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

122. 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.
123. 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 report outturn 2021-22	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Tim Jones, Departmental Finance Manager, Finance and Governance
Link: (please copy and paste into browser) https://moderngov.southwark.gov.uk/documents/s107865/Report%20Capital%20Outturn%20Report%202021-22.pdf		

APPENDICES

No.	Title
Appendix A	General fund capital programme month 4 summary 2022-23
Appendix B	Housing investment programme month 4 2022-23
Appendix C	Budget virements and variations month 4 2022-23
Appendix D	General fund programme detail 2022-23
Appendix E	New Capital Bids

AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan, Finance, Democracy and Digital	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Tim Jones, Departmental Finance Manager, Finance and Governance	
Version	Final	
Dated	31 August 2022	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Governance	Yes	Yes
Strategic Director for Finance and Governance.	N/a	N/a
Cabinet Member	Yes	Yes
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