

<b>Item No.</b> 10.	<b>Classification:</b> Open	<b>Date:</b> 17 January 2023	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy and Resources - Capital Programme Update 2022-23 month 8	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Stephanie Cryan, Communities, Equalities and Finance	

## **FOREWORD - COUNCILLOR STEPHANIE CRYAN, CABINET MEMBER FOR COMMUNITIES, EQUALITIES AND FINANCE**

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 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, condensing boilers and heat meters which will help to reduce wastage, lower carbon emissions and provide residents with greater control over costs.

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. 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. The council achieved its aim to deliver or start construction on 2,500 new council homes by May 2022. To date 925 new homes have been delivered and a further 2,065 are on site. The scale of funding for the housing investment programme is unprecedented with a forecast total expenditure of £2.7bn 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 council will be reviewing the affordability of the capital programme over the coming months.

## **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 in Appendix E;
2. Notes the significant funding requirement of £284m 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 £2.7bn 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, 80-82, 89-91,149).
5. Notes that it will receive future reports on asset management and the new homes programme.

## **BACKGROUND INFORMATION**

6. On 13 September 2022, the capital monitoring report month 4, 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, it was reported in September that the council faced 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 are being 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 Spring 2023.

## **KEY ISSUES FOR CONSIDERATION**

### **Programme position at month 8 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 8 2022-23. The total forecast expenditure over the period 2022-23 to 2031-32 is £453m. Forecast expenditure in 2022-23 is £101m against a programmed spend of £120m.
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 119) provide further details.

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

15. The housing investment programme is forecasting total expenditure of £2.7bn over the period 2022-23 to 2031-32. Forecast expenditure in 2022-23 is £354m .
16. A breakdown of the schemes and budgets within the housing investment programme is included in Appendix B. Further narrative is provided in paragraphs 120-149.

### **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. There is a proactive strategy of replacing building assets as they reach the end of their lifecycle and investing in low carbon/sustainable technology which will result in lower operating costs and helps the council meet its low carbon commitment. The council continues to invest in a range of projects including installing roof top solar panels, improving glazing and insulation and replacement of gas fired boilers.

### **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 have to be assessed for affordability.

## **DEPARTMENTAL UPDATES**

27. The sections below provide commentary on the capital programme progress at month 8 by department for 2022-23.

### **Chief Executive Department**

28. The total value of the capital programme for the department as at period 08 - 2022/23 to 2031/32 is £125m. The projected 2022/23 outturn is £36m against the budget of £54m, 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 £93m with expenditure incurred to the end of November 2022 amounting to £9m.

### **Canada Water Leisure Centre**

30. As previously reported, the works have started on site and it is anticipated that the new leisure centre will be handed over to the council by December 2024. The scheme is progressing in accordance with the planned 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 being made in February 2023. Construction is expected to start in Summer 2023.
32. Nursery Row Park - public consultation on the proposals for the park will be taking place in Spring 2023 in advance of a planning submission in late Autumn 2023 and with planned start on site by March 2024.

### **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 includes the demolition of the existing buildings in front of the station and the creation of the new civic square in 2023-24. This scheme will be further complemented by a planned major upgrade to Peckham Rye station itself, currently in for Planning, which 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 south-east corner of the square. This will include increased passive surveillance and 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 early in 2023/24.

### **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, the 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 foundations and ground floor slabs have now been completed. Completion is expected this financial year, 2022-23.

### **Camberwell Station Road**

37. This project is a £1.5m, GLA-funded scheme which 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. Site works will be expected to start in Spring 2023 subject to a variation agreement with the GLA.

### **Pullens Yard Improvements**

38. The second phase of project is to achieve fire safety compliance in old workshop premises which have been let to numerous commercial tenants, but are also 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, works need to be completed to 23 more units within the Pullens Yards estate, consisting of effective fire compartmentation plus ancillary works (also achieving environmental improvements). A contractor is to be procured to commence the next phase of works in quarter 4 of 2022-23.

### **Void Shops**

39. 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 and as rent recovery action resumes, post-covid. Potentially, in the region of 30 additional units may become available each year. In addition, the council needs 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 (Energy Performance Certificate) of E or higher. Wherever possible, the programme aims to improve on this minimum standard.

### **Acquisition of Properties**

40. No further acquisitions are currently planned and this budget allocation is offered as a saving on the capital programme budgets.

### **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. A specific acquisition by the end of 2023 is envisaged to significantly enhance the strategic and commercial potential of existing assets, in pursuit of corporate objectives. A capital bid will be brought forward in future reports to be considered by cabinet. 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.

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

42. The capital programme includes the remaining s106/CIL contribution of £27.9m (part of the total £67.2m including Transport for London (TFL) payments) 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.

### **NEW BIDS**

#### **Revitalising the Blue (£600k)**

43. This is an existing scheme which is in the Council Plan and will provide a cinema, café, affordable workspace and community area to help revitalise Bermondsey Blue. The additional funds requested arise as a direct consequence of rising construction costs and will ensure the scheme can commence on site during 23-24. This capital bid is reflected in Appendix E for cabinet approval.

#### **Elim House – Health & Safety Works (£500k)**

44. This project is to provide improved facilities for elderly people from Black and Asian Minority residents and is included in the council's approved performance plan. The current building has not benefited from investment for some years and a conditions survey has recently been commissioned



to identify priority interventions to ensure that the facility can continue to operate safely while longer term plans are evaluated and agreed. This capital bid is reflected in Appendix E for cabinet approval.

### **Peckham Station Phase 2 & 3 (£1m)**

45. This bid is to cover anticipated increased construction costs of awarding the Phase 2 & 3 contract for Peckham Rye Station redevelopment and relates to the demolition of old buildings and the creation of a new public square in front of the Victorian station building. This scheme is contained and detailed in the Council Plan and is considered a high risk project as it involves demolition and construction near existing live railway lines. This capital bid is reflected in Appendix E for cabinet approval.

### **Southwark Pensioners (£1m)**

46. This is to facilitate the refurbishment of the council owned premises at 202 Camberwell Rd to provide a new permanent home for Southwark Pensioners which will provide services and support for elderly residents across the borough. This estimate is based on an early feasibility study of the building. A formal report will be submitted, to the Cabinet Member /Cabinet, to recommend that this scheme should be funded by a local CIL. This capital bid is reflected in Appendix E for cabinet approval.

### **Canada Water Leisure Centre (£500k)**

47. This is to provide the council with specialist professional advice in relation to the new Canada Water Leisure Centre. The original approved budget covered Southwark's committed construction contribution only. The council is contractually required to appoint an employer's representative who can oversee the detailed design and handover of the building after completion. These additional resources will ensure this can be delivered. These costs were always anticipated as they arise from the contractual obligations under the Master Development Agreement with British Land. It was initially assumed that the costs could be met from within the approved £35m but due to rising construction costs, this is no longer the case as the full £35m will be required for the council's contribution to the capital costs of the scheme. This capital bid is reflected in Appendix E for cabinet approval.

### **Aylesbury Plot 18 (£1.5m)**

48. This is to provide the cost of independent consultant advice at all stages of the construction of the new health facility, community space, library and medical centre. In advance of committing to the contract with Notting Hill, Southwark had to pay large utility diversion costs as well as large site security costs to avoid the possibility of squatting on the site. The original budget approval was in relation to Southwark's committed contribution

costs for the above facilities only. These costs were always anticipated as they arise from contractual obligations under the Development Agreement for Plot 18 with Walworth Homes/Notting Hill. It was initially assumed that the costs could be met from within the approved £38.6m but due to rising construction costs this is no longer the case as the full £38.6m will be required for the councils contribution to the capital costs of the scheme. This cost increase covers design input costs for the Library, Nursery and Community space and which all have different building specification/requirements. Costs are also included for independent cost advice for the financial commitments toward the overall much larger construction contract which includes the provision of affordable homes. This capital bid is reflected in Appendix E for cabinet approval.

### **Beormund Centre (£1.6m)**

49. It is proposed the site is developed for key worker accommodation and a feasibility study is being undertaken to facilitate this. In the meantime, the site in question has been vacant for some years and with the building in a poor state of repair. As it stands the fear of squatting and anti-social behaviour is extremely high. One option to address this risk would be to appoint guardians which would be a revenue cost and not affordable within the current approved Sustainable Growth Revenue budget. The recommended option of demolition now also addresses the risk and brings forward the site for redevelopment and reduces the cost of demolition further down the line. This capital bid is reflected in Appendix E for cabinet approval.

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

50. The total value of the departmental capital programme for the 10 year period from 2022-23 to 2031-32 is £116m.

### **Adult Social Care**

51. The capital programme value for the period 2022-23 to 2031-32 is £31m, the main projects being; £5m in respect of a programme of improvements to existing care settings, £16m for the building of a new nursing home and £8m for an essential lifecycle capital programme for the four residential care homes.
52. 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. Accessibility is the key to improving the lives of those with disabilities and their carers. Projects such as the contribution to the Changing Places Toilets and a programme for insourcing three hostels are required to deliver services to all, not just those with Care Act Eligible needs, in order to reduce the burden on Adult Social Care.

53. Adult Social Care invest in the property portfolio to ensure buildings provide safe and secure environments for staff and users. A proactive strategy of replacing building assets as they reach the end of their lifecycle and investing in low carbon/sustainable technology results in reduced breakdowns, lower maintenance and operating costs and helps the council meet its low carbon commitment.
54. The capital programme also includes an estimated £0.9m to enhance the council's social care IT systems to develop business intelligence that will drive savings, enhance management information and result in improved outcomes for our service users
55. The lifecycle work on residential homes is ongoing. Lift replacement 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 £891k.
56. The activity on the programmed life cycle work is ongoing. Refurbishments have now restarted in supported living properties in Therapia Road, Mount Adon Park and Grosvenor Terrace and other sites. The 2022-23 expenditure forecast is estimated at £581k.
57. The plan is to build a new nursing home to provide an additional bed-based care facility to meet the demand for placements of an increasing older population. The revised programme cost of £16m (from £9m) takes account of construction inflation (20-25%) and demolition costs of £1m.

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

58. The Children's Services capital programme forecast for 2022-23 to 2031-32 is £86m. This consists of £13m for the schools refurbishment programme as well as certain specific projects such as £15m for Charter school, and £17m for Beormund Special School, £4.5m for Rotherhithe School and £3m for the rebuilding of the Southwark Inclusive Learning Service (SILS) for Key Stage 4 (KS4).
59. The overall programme is focussed on rightsizing provision, ensuring the estate remains fit for purpose. In addition, a key priority is to ensure there is sufficient high needs provision in the borough. Rising construction prices related to Covid and Brexit are affecting the capital programme by increasing demands on existing resources. Construction prices rose by 25.2% from April 2021 to April 2022, according to 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 prices.
60. 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 for all education authorities.

61. A key priority of the programme is to ensure that any new school buildings are fuel-efficient in line with the council's target to become carbon neutral by 2030. To address this, all current new school buildings are designed to a BREEAM (certification method for assessing the sustainability of buildings) 'very good' standard as a minimum.

#### Primary provision

62. 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 be developed to plan for the move away from using fossil fuels in the heating of schools.
63. 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 school rolls. Therefore the yearly programme will decrease from 2023-24, unless alternative funding is sourced.
64. Riverside school is being redeveloped to repair and remedy 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

65. The Charter School East Dulwich is being expanded to address a shortfall in spaces in the local area. The project is in its second stage, which involves the demolition of the remaining buildings and construction of a new hall and three court multi-use games area. 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. Facilities are expected to be available to the school by Autumn 2024.

#### SEND provision

66. In order to address a growth in the number of pupils with Education Health Care Plans (EHCPs), options are being explored to expand Special Educational Needs (SEND) provision in Southwark to avoid placing pupils

out of borough. As part of this programme, a classroom in Tuke school will be extended to provide 8 additional spaces for children with EHCPs, with works due to be completed in the first week of January 2023.

67. Additional capacity for SEND provision is being sought in new projects being proposed to address the issue, including works at Highshore School, to accommodate an additional 40 places in a satellite site, and at SPA School Camberwell to provide 24 places in a 6th form provision, also in a satellite site. The council has received £9.6m Education and Skills Funding Agency (ESFA) High Needs Capital funding for 2021-23 to deliver this programme of work. In addition to this, Southwark is also applying for a further £3m DfE funding for these projects as part of the 'Safety Valve' application
68. There is also a new capital grant fund to be used to enhance the council's education IT systems to develop business intelligence that will drive savings, enhance management information and result in improved outcomes for our service users.
69. Beormund School is being relocated as part of a wider redevelopment of the school area for residential use. The new site will provide a purpose built facility and will support modern teaching techniques and learning for the Beormund Social Emotional and Mental Health (SEMH) School. The project is currently in the design stage, with amendments to the existing planning approval, due to be submitted in December 2022.
70. There has been some slippage in the opening of a resource unit at City of London Academy (COLA) 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

71. 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.
72. 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 work has commenced on the site in September 2022. The home is expected to be ready to receive children around August 2023.
73. The capital bid to DfE to fund the second children's home has been successful. This is the second children's home development to establish residential care provision for children looked after in the borough by the local authority. This project has been successful in being granted funding from the DfE to deliver this project. There is a two year deadline to spend

the funding together with a requirement for the local authority to match the allocated grant funding for this project. This will be to provide a home for up to 5 children with staff.

## **ENVIRONMENT & LEISURE**

### **Summary**

74. The total value of the departmental capital programme for the period 08 2022-23 to 2031-32 is £149m. The projected 2022-23 outturn is £35.5m against the budget of £37m. The budget for future years has been re-profiled in line with the projected expenditure.

The progress of major schemes is outlined below.

### **Highways**

75. The Non Principal Road (NPR) programme delivering major resurfacing of footways and carriageways is currently on target, although this will require a push throughout the last quarter which has been programmed by the contractor. The most substantial risk to completion is now the weather.
76. The School Streets programme has now produced a draft prioritised list of schools for works that will be used to inform the annual programme going forward.
77. Highways Community Infrastructure Levy (CIL) projects continue to proceed in line with the forecast and will be completed by March 2024. Implementation of the Liverpool Grove improvements are now substantially completed. 2022 Toulmin Street footway widening is programmed to start on site in February 2023. The College Road crossing is expected to be on site in March 2023 with completion in April 2023.
78. Design work on the Southwark Spine at Bellenden Road has now been completed and the works remain on target to start on site in February 2023 with completion in May 2023. The Cycle Superhighway 4 is now on site and progressing in line with the programme.
79. Cox's Walk footbridge works is now programmed to commence in January 2023 at a projected cost of £700,000, which will account for two years capital allocation.
80. The cycle hangers programme has seen 169 hangars installed since the start of the financial year with a total of 625 hangars in the borough expected by the end of this financial year. £2.5m of climate change funding will be used to continue this programme beyond the current forecast and is now reflected in the capital monitor.
81. The council has pledged to make Southwark a cycle friendly borough and reduce air pollution from vehicles. In addition to the capital projects to

support this pledge, training has been offered by the council to encourage the use of bikes and reduce car usage. For example, to help reduce the numbers of car journeys to and from schools training has been offered to parents/carers and adults. The council is working hard to ensure that this training is accessible to all including hard to reach groups such as teenagers and women.

82. The Cleaner Greener Safer programme has had a huge impact in supporting Southwark residents to transform their local areas since 2003 with over 4,000 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 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 has been submitted for the year 2023-24 and beyond.

## **Parks and Leisure**

83. The forecast expenditure for 2022-23 on the Parks and Leisure Capital Programme is £12m. The programme includes 27 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 - £5.5m
- Active Southwark Community Investment Fund - £1.1m
  - Includes - BMX track works, Tabard Gardens Multi Use Games Areas (MUGA) renovation
- Borough wide tree planting programme - £1.1m
- Infrastructure and Investment Works - £540k
  - Includes Lighting column replacement programme (£125k), Lucas Gardens (£150k), Wells Way Wall (£20k), Chumleigh & Burgess (£180k)
- Leisure Centres Lifecycle maintenance - £700k
  - Includes Dulwich and Camberwell Leisure Centre (£520k), replacement of boats at the water sports centre (£50k), Southwark Sports Ground Pavilion floor (£50k) & Peckham Calorifiers for swimming pool water treatment £65k.
- Cossall Park Upgrade – £402k
- Pelier Park Upgrade – £373k
- Nunhead East Lodge – £250k
- Small Lodge (Health and Safety ) - £200k

## South Dock Marina (SDM) - Essential Works

84. Boatyard Development:
- a. Draft specifications for the electrical upgrade of the boatyard and marina are currently being reviewed.
  - b. Site investigations have now been completed. Urgent Health and Safety works are underway. A package of enabling works is being developed, whilst the final scheme to re-configure the boatyard layout is progressed.
  - c. Forecast expenditure of £180k in 2022-23.

## Parks & Leisure (P&L) Capital Programme Review

85. A review of the P&L capital programme has confirmed a list of projects that can be removed as they are no longer required and are not service priorities. As a result a programme level underspend of £567k is now available to be taken as savings or to offset the future capital requirements set out in the capital bids section of this report.

## **Culture**

86. Library infrastructure & IT projects – The remaining budget for 2022-23 will be used to fund the following projects:
- a wifi 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.
87. These projects are all in progress and are currently due to be completed by the end of 2022-23.
88. Southwark Heritage Centre & Walworth library –New build library and heritage centre. Construction was completed in 2021. The final library supplies, presentation/display equipment is being commissioned. The project will be fully completed by the end of 2022/23.



## Climate Change and Sustainability

89. 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 and is committed to halving these by 2026. In addition, cabinet approved a £2.5m budget towards the carbon reduction capital programme 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.
90. 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. We have also allocated spending to schemes to encourage more walking in the borough.
91. The climate change capital budget is supporting programmes across the council, which are detailed elsewhere in this report and a summary of how this fund is being used is outlined below:

<b>Project</b>	<b>£000</b>
Window replacement in tenanted street properties	1,000
Burgess Park - Sports Centre	508
Crematoriums / Cemetery Buildings	250
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	43
LED Street Lighting - Speed up roll out	2,180
Expand cycle hanger programme	2,500
Expand EV charging programme	400

<b>Project</b>	<b>£000</b>
Funding to improve walking in Southwark	410
Walworth Walking Scheme	480
School Maps Scheme	110
Green Space Enhancements and Biodiversity Improvements	1,000
Southwark Community Energy Fund	400
Council's own emissions	4,396
Park LED Lighting	604
Cargo Bike Expansion	100
<b>Total</b>	<b>21,312</b>

## **Regulatory Services**

### Schools Air Quality Audits

92. Applications for starter grants for Southwark audits opened in September 2022. This grant will be given to schools involved in the audits to complete related air quality improvement works.

### A Clean Air Grant

93. A Clean Air Grant application in October 2021 was successful and secured £300K of capital funds and a further £75K in revenue funds from April 2022 to replace a school boiler with an air-sourced heat pump. A feasibility study has been completed and the heat pump will be installed in 2023. The project will be completed by April 2024.

### airTEXT Project

94. 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.
95. 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 January 2023. The expenditure of awarded grant funds from Defra and IoUH will commence from January 2023.

### #onething air quality

96. Following the delay to the Environmental Protection Team (EPT) communications plan caused by the COVID-19 pandemic, work is well underway with colleagues in the Communications Team to finalise the key themes and messages necessary to deliver this publicity and awareness campaign. £240k of capital funding for the EPT #onething air quality awareness campaign have been carried forward to this financial year. A portion of this amount has been committed to funding the post for a communications officer. This ensures key messages and themes impacting air quality and climate for example, can be pulled together for effectiveness.

### Freight and logistics

97. £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. The report provided insights on how best to work with industry to improve the environmental conditions on the Old Kent Road.. Next steps in this project will include officers taking part in other pan-London freight and logistics projects to identify opportunities by the end of 2022-23.

### The Mayor's Air Quality Fund

98. The Mayor's Air Quality Fund budget for Walworth Low Emission Neighbourhood (LEN) is fully committed and contractors have nearly completed works on site in Liverpool Grove. 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 optimisation
99. Further car free day initiatives are planned and this is expected to be delivered by the end of 2022-23. Examples of initiatives held to date to support car free days include;
- a. free bike repair works offered to residents by Dr Bike Stand and having the street closed;
  - b. 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.

- c. supported 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 will continue to support initiatives that promote closing streets and utilising them for other purposes, including events at the newly pedestrianised Liverpool Grove.

### Medium Combustion Plant

100. A survey of council owned Medium Combustion Plant is near completion. This project has surveyed 17 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 Plant 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. It will also map out methods to reduce emissions from these plant.

## **NEW CAPITAL BIDS**

### **Environment Directorate**

101. CCTV System and Camera Upgrade (£3m)

The CCTV system and camera upgrade is a critical Health and Safety bid as:

- The use of CCTV is fundamental to ensuring the health, safety and wellbeing of Southwarks residents. It is integral in supporting services meeting their Council Plan Commitments for thriving neighbourhoods and keep the most vulnerable safe from crime and anti-social behaviour.
- Without the upgrade of the CCTV system there is likely to be increased and protracted downtime for CCTV cameras, particularly from analogue systems in our Town Centre Areas. This would mean that the CCTV operators will be unable to support policing colleagues and partners in the prevention and detection of crime and anti-social behaviour (asb) in the borough, including areas of concern for violence against women and girls. The quality of images from the analogue cameras are becoming substandard and will need to be replaced to ensure that quality of evidence is at a standard that can be accepted by police and courts to secure arrest and conviction of offenders. We will be unable to secure favourable tenders with an ageing system and cameras, increasing cost and potential downtime. Without fit for purpose system that is evidential and maintained, we will be failing in our Surveillance Camera

Commissioners statutory guidance and will likely to be unable to maintain accreditation for the system.

- The funding will be used to upgrade the CCTV transmission system and relocation of server room and equipment, ensuring it is fit for purpose and fit for the future. The upgrade enables the ability to upgrade all Town Centre and Public Space CCTV cameras to High Definition (HD) improving image quality and ability to support partners both pro-actively and re-actively in response to crime and anti-social behaviour. Investment will also realise circa £60,000 - £70,000 revenue savings from fibre rental as well as ensuring most economically advantageous tenders are received with the next procurement for CCTV repairs and maintenance.

### Parks and Leisure

#### **102. Small Lodge Camberwell New Cemetery Health and Safety Repairs (£800k)**

Recent structural report on the Grade II listed lodge building at the entrance of Camberwell New Cemetery indicates the building is at imminent risk of collapse caused by subsidence. This is due to the original construction of the building (historic buildings have shallow foundations) and the presence of tree roots at foundation level exacerbating the drying and shrinking of soil from recent drought conditions.

A capital budget of £800k, (including fees) is required to complete the underpinning works, installation of a new concrete floor and wall stabilisation. This capital bid is reflected in Appendix E for cabinet approval.

#### **103. Crane Replacement – South Dock Marina Boatyard (900k)**

In July 2022, the 37-year-old crane failed its six-month LOLER inspection (Lifting Operations and Lifting Equipment Regulations 1998). The immediate repairs recommended by inspectors to achieve compliance were completed in July. Further repairs are required in the next six months to keep the crane operational ahead of the next inspection.

The crane manufacturer ceased trading at the end of August 2022 and the company is now in liquidation. This puts the long-term maintenance of the crane at risk if parts are not available. Replacing the crane is therefore recommended.

A capital allocation of £900k (including fees) is required for the replacement crane, ancillary equipment and ground works. This capital bid is reflected in Appendix E for cabinet approval.

#### **104. Essential Health and Safety Works - Parks Infrastructure (£2.8m)**

- Replacement of Peter Hill footbridge at Russia Dock (£700k).

The latest Principle Inspection report assessed the closed footbridge to be in critical condition from its Bridge Condition Indicator (BCI) score. Significant repair works are required to make the bridge safe.

- Burgess Park 'Bridge to Nowhere' (400k).  
The bridge is currently closed and unsafe for public use. Due to its condition, removal or replacement is required.
- Resurfacing priority pathways (£1.6m).  
Sections of path identified in Peckham Rye Park; Russia Dock Woodlands and One Tree Hill to complete upgrades for accessibility and safety.  
This capital bid is reflected in Appendix E for cabinet approval.

**105. Leisure lifecycle maintenance (£675k)**

The Council took the decision in 2021, at the end of the current contract with Everyone Active to return management of the service in-house. Extensive work is in progress to plan the transfer of services. In October 2022, Southwark Council commissioned a condition survey of all leisure assets transferring to the Council for the purpose of identifying key works to assets to ensure continuity of service at transfer and provide assurance on meeting all health and safety standards. The outcome report provided a five year assessment, with a first year requirement for investment in asset improvement or mitigate any risks of equipment which could be considered critical to health and safety. The total value of this investment for the first year after transfer totalled £675,000 and forms the basis of the capital bid. This capital bid is reflected in Appendix E for cabinet approval.

## **HOUSING AND MODERNISATION**

### **General Fund**

#### **Overview**

109. The forecast spend for the Housing and Modernisation general fund capital programme for the ten years to 2031-32 is circa £64.4m and comprises a diverse range of activity, mostly of a corporate back-office nature, supporting wider service delivery across the council. Projected spend for the year is £12.1m.

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

110. Facilities management investment focusses on the council's operational estate to ensure it is fit for purpose and statutorily compliant for the safety and wellbeing of employees and service users. Delivery is through a comprehensive inspection and assessment regime and programme of building lifecycle maintenance. A new contract for FM services started on 1 October, which CFM continues to mobilise. This includes managing the

completion of investment projects with the outgoing provider while preparing for new projects with the new provider.

- 111 The delivery of investment schemes has been impacted by the pandemic, but with the removal of restrictions and council staff now operating under a hybrid home/office working model, the programme is returning to expected levels. The forecast outturn for this financial year is £3.8m for lifecycle and compliance related investment projects funded by CFM, with a further £3.1m forecast for wider investment projects to the council's estate on behalf of other departments in the council.
- 112 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)**

113. 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 help the council to 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.
114. The current forecast capital investment for 2022-23 is £4.8m. 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, and completion of the data centre migration and refresh of the network infrastructure. Other important projects include IT security compliance, website and intranet replacement, which together with a range of other smaller scale projects complete the plan for this year.

### **Customer Experience - Smart Working Programme**

115. The forecast for capital investment this year remains at £2.1m, 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**

116. 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.
117. The projected spend for 2022-23 on DFG is £1.2m with a total forecast spend for the service overall of £1.3m. The focus continues to be to deal with the waiting list of applicants following the pandemic by working to reduced timescales to maximise the volume of projects undertaken. The programme reflects the assumptions made for DFG funding, which is estimated at £1.7m annually in line with the current year's determination.
118. 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**

119. 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**

120. The council is under increasing pressure to address housing investment needs, driven by the need for new homes as well as dealing with its existing stock, in responding to new building and fire safety legislation, the need to maintain decency standards and the climate emergency. The council is



facing these challenges during a period of sustained economic downturn and increasing financial uncertainty.

121. In particular, the HIP has been impacted by high levels of construction inflation and significant increases in the cost of borrowing, on which the new homes programme in particular is heavily reliant.
122. Inflationary pressures are having a significant impact on the construction industry and throughout the supply chain. The war in Ukraine, as well as energy and supply issues across the world economy following the pandemic have led to increases in costs, thereby reducing the amount of work that can be done within existing budgets.
123. Following a long period of relative stability from June 2016 to April 2022, PWLB rates, the main source of local authority borrowing, have become extremely volatile. This presents significant financial risks to the council as relatively small changes in interest rates can result in large increases in the cost of borrowing. At the start of this financial year, the PWLB rate for a 50 year fixed maturity loan was 2.42%; on 28 September it rose to 5.51%, an increase of 128%. Rates are currently at 4.41%, an increase of 82% in the cost of borrowing compared to the start of the year.
124. The situation requires immediate action to the HIP to try and ensure the continued viability of the Housing Revenue Account. Over recent weeks, the council has taken steps to limit new commitments to the new homes scheme beyond those already contractual committed, as the current commitment will exhaust the council's borrowing capability. In addition, the council will review closely, the programme on existing stock not least in relation to the Building Safety Act 2022 which will incur significant additional costs both to complete surveys and to fund the costs of works emerging as a result. In the coming months Cabinet will be presented with revised strategic plans for Southwark Construction and Asset Management that will be cognisant of the financial constraints and uncertainty the council now faces.
125. The HIP forecast spend for 2022-23 is now £354m, comprising £94m on existing stock, £251m on new council homes including acquisitions and site assembly costs and £9m on other programmes. Notwithstanding the measures in place to curtail expenditure, the forecast still represents the largest annual capital investment made by the council. Provisionally, this would be financed through a combination of £70m revenue funding, £90m of external grants, £61m of S106 receipts and other contributions, £33m of capital receipts (including RTB receipts), leaving a balance of £100m to be met from borrowing already secured in anticipation of need.

### **Asset Management**

126. Asset management brings together a range of programmes whose primary focus is to meet the investment needs of the existing stock. The programme is undergoing review and a new five year Asset Management

Plan is due to be presented to Cabinet shortly. At this transitional stage there are four main strands to the Asset Management Programme:

- Major Works
- Engineering
- Building and Fire Safety
- Decarbonisation

127. The overall programme has been reviewed with schemes assessed as “committed” or “uncommitted”. The committed programme is estimated to cost £461m over the next five years. The programme has been funded primarily from within HRA, via the Major Repairs Reserve and direct revenue contributions plus grant funding where available. Borrowing has been avoided to ensure the continued viability of the HRA and provision of services to residents. Although, shown as “committed”, there is an estimated shortfall in funding of £75m that needs to be addressed, with limited options to remedy. These may include further deferment of schemes where possible, sale of assets to general capital receipts or seeking additional external sources of funding that are not currently available.
128. The uncommitted programme is estimated to cost £249mm and other than for the costs that may arise in 2022-23, it is unfunded. These are schemes within Major Works (£177.9m) and Engineering (£70.7m).
129. Deferment of and removal of schemes from the Asset Management programme present additional risks to the council and there is limited flexibility where there are statutory requirements and deadlines to meet. Such measures are likely to impact on resident wellbeing as evidenced by a decline in decency standards as well as causing supply chain issues with delivery partners, through a loss in confidence and a potential increase in contractor claims. In the longer term, they may also lead to increased costs as projects are delayed during a period of inflation.

### **Major Works**

130. Due to current financial constraints and the requirements of building safety and fire safety legislation, some upcoming major works projects may be paused. The overall major works programme will be reviewed once the building safety surveying programme is complete and any remedial works identified through that programme will be carried out on a fire and building safety risk priority basis and the major works programme may be adjusted accordingly.
131. The Quality Homes Investment Programme (QHIP) is the principal strand of the major works programme, 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 £70.7m, including a full internal works programme incorporating kitchen and bathroom installations.

132. 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 £2m, most of which relates to completion of legacy schemes on the Tustin and Abbeyfield estates.
133. The remainder of the Major Works programme is forecast to spend £2m and comprises legacy Warm, Dry and Safe schemes (£1.3m) door entry (£0.6m) and completion of other programmes (£0.1m). In addition, there is forecast spend of £0.2m on uncommitted QHIP schemes.

### Engineering

134. The engineering programme is responsible for maintaining heating and hot water systems and meeting a wide-range of statutory compliance requirements for emergency lighting, lightning protection, firefighting equipment, fire detection systems, asbestos, water safety and lift maintenance. Forecast spend on the engineering programme for 2022-23 is £19.5m on committed schemes and £2.8m on uncommitted schemes.
135. Heating repairs and installations form the largest element of the programme with forecast spend of £11.8m for 2022-23, all of which is committed. The remainder of the committed programme comprises emergency lighting (£2.8m), capitalisation of repairs and void works (£2.0m), fire risk assessment and installation of alarms (£1.1m), lifts (£0.6m), door entry systems (£0.5m), Aylesbury and health and safety and fire risk assessment (£0.4m) and ventilation systems (£0.3m).
136. There is a further forecast spend in 2022-23 of £4.6m on uncommitted schemes. This relates to further repairs and voids capitalisation (£2.4m), electrical installation condition reports (EICR) (£1.5m), ventilation (£0.3m), lifts (£0.2m), heat network (£0.1m) and Aylesbury health and safety (£0.1m).
137. Cabinet agreed a comprehensive Heat Networks Strategy in September 2021 and the installation of Southwark's first water-source heat pumps to Consort, Newington and Wyndham estates was completed in October 2022, providing more consistent heating and hot water to more than 2000 properties, as well as offsetting gas consumption and carbon emissions.
138. A new dedicated team will be set up to deliver the Heat Network Strategy with feasibility studies commencing on poor performing systems in order to set out the best procurement strategy. It is estimated that the team will be recruited and set up by June 2023.

### Building and Fire Safety

139. The council is developing its building and fire safety programme in response to new legislation. It is already known that many of the council's existing stock will require safety improvements and potentially costly remediation works, which will put further pressure on an already stretched HIP. The council has entered into a discovery phase that has included the identification and inspection of the 174 high rise (18m+) blocks for combustible cladding and pilot surveys and inspections to provide key information to inform a borough-wide programme of remediation work. Completion of the surveying and remediation work relating to compliance is likely to take at least 5 years.
140. The Building and Fire Safety programme at present has four main elements. These are: fire risk assessment surveys, stock condition surveys, emergency powers and building remediation works. At present the fire safety and building safety teams are engaged in a large programme of survey and inspection work to all the Council's high-rise (over 18m) blocks. This will be further developed through the Building Safety Priority Surveying programme. Until the surveys are completed, the extent of building and fire safety work required for the council's stock is not known but a provisional estimate has been included in the programme for the next five years of £103.0m to cover fire risk assessment surveys (£7.4m), stock condition surveys (£13.1m), emergency powers (£7.5) and building remediation works (£75.0m). The forecast spend for 2022-23 is £3.1m.

### Decarbonisation

141. The objective of the decarbonisation programme is to bring the housing stock up to a minimum EPC rating of 'C' by 2030. The programme sits along-side other programmes which seek to reduce carbon emissions further through the installation of heat pumps and renewable technologies.
142. In November 2022, the council bid for funding through Wave 2.1 of the Social Housing Decarbonisation Fund. The bid focuses on street properties in the Nunhead and Peckham areas and proposes measures to bring them up to an EPC rating of C. Announcement of successful bids will be made in January 2023 and, if Southwark's bid is successful, a paper will be brought to Cabinet for approval in March. Future funding bids will consider retrofit projects on blocks. Spend of £36.6m is anticipated over the next five years and starting from 2023-24.

### **Southwark Construction- New Homes**

143. The council achieved its aim to deliver or start construction on 2,500 new council homes by May 2022. To date 925 new homes have been delivered and a further 2065 are on site.
144. As a direct result of the significant downturn in the economy, the council has undertaken a comprehensive re-profile of forecast costs across all new

housing development schemes to assess affordability within the current funding envelope. This exercise confirmed that all schemes with a contractual commitment remain affordable at present, and will continue to be delivered as planned. These schemes are included in the monitor as 'committed' schemes.

145. Although the schemes are currently affordable, the uncertainty created by the economic situation is such that their delivery cannot be guaranteed. The most significant risks arise from construction inflation and the cost of borrowing, which is a major source of funding for the programme overall. In mitigation, all schemes will be subject to an internal cost review exercise to better help control costs that remain under significant pressure. The volatility of interest rates may give rise to further interest rate rises, which in turn will lead to further increases to the overall cost of borrowing and a consequential further curtailment of the programme. This is to ensure the HRA remains within its prudential borrowing limit, thereby ensuring the future viability of the HRA. Spend for 2022-23 is forecast to be £235.1m.
146. The council has insufficient funding available for those schemes not in contract, and there is no option but to pause these schemes to avoid further expenditure until a comprehensive review has been undertaken. These schemes are included in the monitor as 'uncommitted' schemes. The schemes have already, and will continue to incur pre-construction expenditure, which for 2022-23 is forecast to be £15.6m. These commitments will be met from resources supporting the HIP. Uncommitted expenditure is included in the monitor and is shown as unfunded.
147. Due to the scale and pace of the economic changes the pipeline of the council's new homes programme beyond 2026/7 is no longer affordable unless the council take proactive steps to ensure the programme can remain financially sustainable. These options will be considered in more detail in the forthcoming Southwark Construction Strategic Plan.

### **Other schemes**

148. The remainder of the main programme covers a wide range of schemes, with spend of £8.7m forecast for the year. This includes aids and adaptations and major works on individual properties and hostels, legacy regeneration schemes and works carried out on behalf of the council by Leathermarket JMB.

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

149. 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**

150. 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**

151. 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**

152. 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.

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

## **REASONS FOR URGENCY**

154. Presenting this report to cabinet on 17 January 2023 gives the opportunity for debate on the forecast outturn for 2022-23 prior consideration of the full capital programme refresh scheduled for Assembly in Spring 2023.

## REASONS FOR LATENESS

155. The council is currently reviewing the entire capital programme. This report is submitted late to ensure members are provided with the most up-to-date position.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy: capital monitoring M4 report	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Tim Jones, Departmental Finance Manager, Finance and Governance
<b>Link:</b> <a href="#">(Public Pack)Agenda Document for Cabinet, 13/09/2022 11:30 (southwark.gov.uk)</a>		

## APPENDICES

No.	Title
Appendix A	General fund capital programme month 8 summary 2022-23
Appendix B	Housing investment programme month 8 2022-23
Appendix C	Budget virements and variations month 8 2022-23
Appendix D	General fund programme detail 2022-23
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	
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<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Law and Democracy	Yes	Yes
Strategic Director for Finance and Governance	N/A	N/A
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		13 January 2023