

Item No. 9.	Classification: Open	Date: 16 June 2020	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy: Capital monitoring outturn Report 2019-20 and Capital Programme Refresh for 2020-21 to 2028-29	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Victoria Mills, Finance, Performance and Brexit	

FOREWORD – COUNCILLOR VICTORIA MILLS, CABINET MEMBER FOR FINANCE, PERFORMANCE AND BREXIT

As ever, the council has continued to deliver major investments and improvements into our borough through the capital programme.

At the end of the financial year, work funded by the Housing Investment Programme included investment of over £90m in the council’s existing housing, £50m on new council homes and almost £17m on wider regeneration schemes. The council continues to make good progress against its ambitious new homes target. At 31 March 2020, 677 new homes had been delivered with 266 on-site and 2,965 in planning/awaiting approval.

Investment in General Fund assets during the year was over £101m including investments in schools, highways, environment and leisure, in addition to investment in our existing operational assets and IT infrastructure. Examples of schemes completed during 2019-20 include new playground facilities at Mint Street, the first phase of the Peckham High Street heritage initiative, expansion of the education facilities at Surrey Docks Farm, Southwark Cycle Spine works, air quality works at Ilderton primary school, landscaping works at Burgess Park West and construction of an iconic new café at Southwark Park, Grove Vale library and the Cleaner, Greener, Safer programme again proved popular with many projects contributing to improving air quality, improved mental health and physical well being in our communities.

This investment is additional to the major regeneration projects at Canada Water, Aylesbury, Elephant and Castle, Camberwell and other parts of the borough, all aimed to make Southwark a great place to live, work and study and to improve the opportunities and outcomes for all residents.

The Covid-19 pandemic has had a substantial impact on the capital programme. Whilst the full impact of Covid-19 will not become apparent for some time, cost pressures and funding capacity, for example lower capital receipts, reduced external funding and less revenue resources to support borrowing, mean that we need to review all our capital investment plans in recognition of the pandemic and any changes to the council’s strategic objectives.

RECOMMENDATIONS

That cabinet:

1. Notes the outturn and resources for 2019-20 and future years for both the general fund and housing investment programmes as detailed in Appendices A, B and D;
2. Approves the virements and variations to the general fund and housing investment capital programme as detailed in Appendix C;
3. Notes the substantial funding requirement of £394m for future years which needs to be identified for the general fund programme in order for this to be fully delivered, as summarised in Appendix A;
4. Notes the substantial funding requirement of £88m required for future years which needs to be identified for the housing investment programme to be fully delivered over the remaining term of the programme, as detailed in Appendix B.

BACKGROUND INFORMATION

5. On 7 April 2020, the month 9 2019-20 capital monitoring report was presented to the cabinet. This reported the capital forecast position of £302.9m and financing requirement (i.e. borrowing) of £52.9m (£46.6m on the general fund programme and £6.3m on the housing investment programme) for the financial year 2019-20.
6. The total programmed capital expenditure over the ten year period 2019-20 to 2028-29 is £684.6m for general fund and £1,955.7m for the housing investment programme.
7. The scale of the capital programme is immense, representing a major element of the council's financial activities. It has a significant and very visible impact on the borough and hence on the lives of those who live, learn, visit and do business in the borough.
8. Due to the size and scale of the programme and the number of projects involved, it is inevitable that unforeseeable delays can occur which lead to some variations against planned spend. Actual resources may also vary to the plan, due to, for example, a delay in the sale of a property, or an external development with s106 or CIL obligations not being brought forward as quickly as anticipated.
9. Historically the capital programme has been over-programmed in year to compensate for these variations, whilst retaining a balanced programme over the entire ten year life of the programme. However, the council now faces a position where planned spend is considerably in excess of forecast resources, not only in year, but also over the life of the programme.
10. The council's constitution requires council assembly to agree the capital strategy and programme at least once every four years, ensuring effective financial control and the achievement of value for money, within the provisions of financial standing orders. On 20 February 2019 the council assembly agreed a refreshed 10 year general fund capital programme and housing investment programme (HIP) for the period to 2027-28. Cabinet will consider and approve the refresh of

the capital programme on a regular basis through capital monitoring reports to ensure it is fully updated and aligns with the council's key priorities.

11. The Covid-19 pandemic has had a considerable impact on the council's capital programme since the 'lockdown' commenced in mid March 2020. As noted in the directorate narratives, work was been halted or delayed due to lock-down, social distancing and supply chain issues as well as consequential cost increases and indications of reduced or suspended funding.

KEY ISSUES FOR CONSIDERATION

12. In meeting the council's fairer future promises, in 2019-20 the council made a total capital investment of £259m. This comprised £102m investment in General Fund and £157m in the Housing Investment Programme.
13. The outturn expenditure position was lower than the month 9 forecast by 15%. 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.

Capital Expenditure in 2019-20 by Service Department:

Department	Budget £'000	Actual £'000	Re- profiling to future years £'000
Children's and Adults' Services	18,310	11,643	6,667
Southwark Schools for the Future	6,402	5,626	776
Place & Wellbeing	59,831	56,686	3,145
Environment & Leisure	26,654	19,164	7,490
Housing & Modernisation	10,073	8,680	1,393
Housing Investment Programme	183,642	157,283	26,359
Total capital expenditure	304,912	259,082	45,830

Programme outturn position 2019-20

General Fund

14. The total-spend for 2019-20 for general fund is £102m against a plan of £121m (84% of forecast spend). The variance between spend and available resources was £64.7m, which was funded from borrowing
15. The summary position and the programme by department are reflected in the narrative below and in Appendix A. Appendix D provides detail at project level.
16. Appendix C shows the budget virements and variations for approval by cabinet.

Housing Investment Programme

17. The total expenditure for 2019-20 is £157.3m, against a forecast at Month 9 of £183.6m. Appendix B provides a summary of the housing investment

programme outturn position for 2019-20, with further detail provided below.

18. The total forecast spend for the programme to 2028-29 is £1.956m, against total resources, including borrowing, of £1,867m. This variance will need to be monitored and reviewed over the course of the programme.

Financing 2018-19 capital spending

19. Capital expenditure is financed through a variety of sources, typically receipts from the sale of capital assets, capital grants, and 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. Financing of 2019-20 capital expenditure is set out below:

	General Fund £'000	HIP £'000	Total £'000
Total Spend	101,749	157,283	259,032
Financed by:			
Capital Receipts	7,913	28,730	36,643
Capital Grants and contributions	18,622	9,307	27,929
Section 106 Funds	10,554	17,322	27,876
Major Repairs Reserve	-	59,092	59,092
Revenue contributions and reserves	-	22,641	22,641
Borrowing	64,660	20,191	84,851
Total financing	101,749	157,283	259,032

23. 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.
24. 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.

Covid-19

25. The Covid-19 pandemic has had a substantial impact on the capital programme. Whilst the full impact will not become apparent for some time it is clear that cost pressures and reduced funding capacity will be significant constraints on the council's capital investment plans and priorities. Key risks in relation to the capital programme include:
- Increasing cost pressures due to claims for delays and costs of new social distancing ways of working; cost of tendered work increases due to social distancing ways of working and supply chain issues.
 - Reduced capital investment capacity due to:
 - Lower or delayed capital receipts;
 - Scarcer external funding
 - Reduced revenue capacity to support borrowing costs
 - Weakened economy

Resourcing the 2020-21 programme onwards

26. The make up of the capital programme is significantly influenced by the scale of resource availability from grants, s106, community infrastructure levy (CIL) and capital receipts and their timing. Over the life of the programme, all commitments must be met from anticipated resources. In the event of any shortfall in resources to fund the programme in any particular year the council would need to consider the use of prudential borrowing to bridge the gap. The cost of servicing the debt will be a charge to the revenue budget and funded from savings and/or returns on investments.
27. In the current ten year programme included within this report, there is a shortfall of available funds of £459m to meet the planned general fund capital commitments and the ambitious housing investment programme assumes borrowing of £709m.
28. In addition, proceeds from capital receipts are continually kept under review especially for sales and development agreements. Financing will require careful monitoring of commitments and a drive to secure the forecast capital receipts and other resources as planned over the rest of the programme.
29. In developing and managing its capital programme the council has to maintain clear control on the selection and use of resources to finance capital expenditure. Strategies for investments, borrowing and treasury management facilitate this control and assist the council to have clear strategic direction on its use of resources. Beyond 2019-20, 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. The timing of any decision to borrow will be mindful of cash flows and risk/probability of future interest rate increases.

Departmental Updates

30. The sections below provide commentary on the budget outturn position by department for 2019-20.

GENERAL FUND (APPENDIX A)

PLACE AND WELLBEING

31. The total value of the capital programme for the department over the period 2019-20 to 2028-29 is £289.2m. Project managers have reviewed the progress of the various schemes and budgets have been re-profiled in line with anticipated spend. Total expenditure incurred to the end of March 2020 amounted to £56.7m.

Regeneration Division

32. The regeneration division (comprising of 4 project areas namely Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services) has a combined budget of £231.4m with expenditure of £45.2m in 2019-20 and the remaining spend profiled across future years.

Walworth Road Town Hall, new library and heritage centre

33. General Projects who have been selected by the council to take forward the Walworth Town Hall have completed pre application process including public consultation and are expected to submit a planning application for the restoration of the property by the end of June 2020.

Canada Water Leisure Centre

34. In September 2019 the council's planning committee resolved to grant planning permission for British Lands outline masterplan and detailed planning consent for a first phase which includes "plot A2" which is the location for the new Canada Water leisure centre. Subsequently the Mayor for London has given stage 2 approval for the scheme and the s106 agreement is now expected to be completed by end of May. The specification for the project incorporates an 8 lane 25m swimming pool, learner pool, 4 court sports hall, gym, dance studio's, spin studio's and changing facilities. Detailed design of the project is now expected to commence in the autumn with a start on site in 2021.

Elephant and Castle Open Spaces

35. Dickens Square: Planning permission has been approved for the scheme. Current programme anticipates a start on site in Q3 with contract completion scheduled for 2021-22. The new playground proposed for Geraldine Mary Harmsworth Park is now likely to commence in mid Q4 at the earliest. Victory Community Park design process is continuing. Nursery Row is the final park in the programme and it is expected that preparatory design and site investigations will be undertaken this financial year. All programmes are being reviewed in light of the pandemic.

Top Quality Playground - Mint Street

36. The works are complete and the adventure playground and building, together with the public playground, are in operation. The project defects period has now expired and all internal defects and snags from the new building have been addressed. In January 2020, the public playground main structure was replaced and as of February 2020 both the public and adventure playgrounds are now fully open and operational.

Aylesbury Plot 18

37. The Plot 18 scheme delivers a range of new high quality community facilities at the heart of the Aylesbury estate underpinning the regeneration programme. The scheme started on site in January 20 with a planned completion date of spring 2021 for the new library and summer 2022 for the remainder of the scheme.

London Bridge Portfolio

38. Potential addition of income generating assets to replace revenues foregone from the commercial portfolio, where other assets have been released into home building, regeneration and disposal programmes. In so doing poorer quality assets are being replaced with significantly better ones in investment terms.
39. Looking ahead, one further strategic acquisition to complete the portfolio is anticipated, in line with our commercial property investment policy, subject to review in the present market circumstances.

44 Webber Street

40. Essential repairs are required to the structure and fabric of this Victorian, former school building which is let on commercial terms to the well regarded Centre for Literacy in Primary Education (CLPE). The asset generates a significant income and will continue to do so post-works, at which point we have negotiated the transfer of future repairing obligation from the landlord to the tenant. In the event the repairs are not undertaken urgently the operation of the building will be compromised (impacting rent receivable), and the council will be in breach of its repairing obligation including statutory obligations to maintain this historic building.

Planning and Transport Division

41. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a combined budget of £15.6m with £6.5m spent in 2019-20 and the balance profiled over future years.
42. The transport planning budget of £9.0m is largely funded by Transport for London (TfL) to deliver transport improvement programme as contained within the borough's movement plan. Planning Projects budget of £6.6m is funded mainly by s106 to deliver various projects to mitigate the impacts of new developments, improve public realm, parks and open spaces as well as supporting the commercial viability of local shopping areas.

Planning Projects

43. A number of projects totalling nearly £1.3m are currently on site or have been completed by the Regeneration Teams which promote the council's programme for supporting high streets. The schemes for East Street (the "What Walworth Wants" programme) and Harper Road and Tower Bridge Road have been completed while the Walworth Road, Lower Road and Rye Lane are currently on site or well advanced in the design phase. The first phase of the part Heritage

Lottery Fund (HLF) funded Peckham Townscape Heritage Initiative is complete and the second phase of the programme is now on site.

44. Schemes funded by Neighbourhood CIL are also being developed with colleagues in Highways, Parks and the Regeneration divisions. Surrey Docks Farm has undergone a £0.5m rebuilding programme funded by the local CIL which has greatly expanded their education facilities and improved access from the Thames Path. The local CIL also part-funded the Harper Road shopfronts and public realm improvements. Other projects under development include pedestrian improvements in Camberwell and Dulwich and parks including Little Dorrit in Bankside and Newington Gardens in the Elephant and Castle.

TfL Funded works

45. Southwark Cycle Spine works are nearing completion on site with some spend beyond TfL funding forecast, which will be funded from the cycling infrastructure fund capital budget. Kerbside Smarter Streets budget is supporting the council's move to map based traffic orders, council has taken delivery of the first part of this and final invoicing is due in the coming months to complete this work. A further portion of this money is supporting the implementation of timed loading bays in the Walworth Road area.
46. Design review of Lower Road currently being carried out; however there will be a delay caused by the inability to carry out traffic surveys during lockdown. TfL contributions are looking to be increasingly at risk and TfL works to Jamaica Road have been put on hold.

Elephant and Castle Roundabout Project

47. The capital programme also includes the remaining s106/CIL contribution of £42.7m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.
48. The total value of the capital programme for the department over the period 2018-19 to 2027-28 is £404.3m. Project managers have reviewed the progress of the various schemes and budgets have been re-profiled in line with anticipated spend. Total expenditure incurred to end of March 2020 amounted to £147.7m with the remaining budgets profiled to spend in the following years.

CHILDREN'S AND ADULTS' SERVICES

49. The total value of the departmental capital programme for the period 2019-20 to 2028-29 is £133.3m. The final departmental capital outturn for 2019-20 was £11.6m.

Adult Social Care

50. The capital programme budget for the period 2019-20 to 2028-29 is £40.4m, the main projects being; £10.7m in respect of a programme of improvements to existing care settings, £10m for the provision of an additional bed-based care facility, £7.9m for an essential lifecycle capital programme for four residential care homes and £5.4m for the Cator Street older peoples' hub and day centre. There are no additional capital requirements for Adult Social Care identified in this report.

51. The Cator Street 2 project will provide a new day care centre, community information hub and 50 flexicare housing units. This new facility will be adjacent to, and integrated with, the existing flexicare housing at the Cator Street 1 site (Tayo Situ House). The planning application was approved at the 8 January 2020 main planning committee meeting. Detailed stage 4 designs were completed early in 2020 and the invitation to tender for the main works contract was issued on 24 February 2020. Returns are due 1 June 2020 and the contract award is scheduled for July/August 2020.
52. The programme of lifecycle works concerning ASC's property portfolio, is under way and will be ongoing over the next 10 years.
53. The Adult Social Care Capital Board has identified a number of priorities for 2019-20 and beyond to meet current and future needs of vulnerable adults in the borough. The council is actively working with commissioned providers and partners to ensure sufficient capacity and choice of high quality provision across the borough.

Children's Services and Southwark Schools for the Future Programme

54. The capital programme budget for 2019-20 to 2028-29 totals £103.7m. This consists of £32.6m for the development of Charter & Rotherhithe Schools, £3.5m per year over the next 8 years for schools refurbishment and £11.6m for the relocation of Beormund Special School. There is a further £10.5m for the rebuilding of the premises of the Southwark Inclusive Learning Service. The overall programme is focused on rightsizing provision, ensuring the estate remains fit for purpose, and contributing to addressing high needs provision in the borough.
55. Rotherhithe School, the target opening date is autumn term 2021, although this will likely be delayed due to Covid-19. The enabling works have been completed and tenders for the main works are being assessed.
56. Work is progressing well on Charter School East Dulwich phase 2, which includes the 6th form centre. A key aspect of completion is dependent on the NHS relocation. Because of the impact of Covid-19 on the construction industry, the target date for practical completion and handover of phase 2 has been revised to December 2021.
57. Work is planned to start this year on the Riverside School project with funding initially coming from the schools own balances.
58. The Primary Schools Refurbishment programme for 2019-20 is now substantially complete and planning is already well progressed for 2020-21.
59. Air Quality improvement works have been undertaken to Ilderton primary School to improve the air around the school especially from road pollution. These works incorporate a new acoustic boundary screen to the school and the planting of green walls and trees, which has proven to reduce NOX emissions. Works were completed in January 2020. Work is also underway to procure air quality audits of other schools.
60. A key priority of the programme is the provision of SEN/higher needs places,

building upon the work at Cherry Garden and at Park College post 16 provision. Significant work was undertaken at SILS KS3 in 2019-20. However, there has been some slippage in the opening of resource units at COLA and Charter School East Dulwich and Spa Bermondsey (being separately managed). In addition the planned project at SILS KS4 and Beormund School needs to be reviewed given the change in market conditions, and this may be subject to a future capital bid.

ENVIRONMENT AND LEISURE

61. The total value of the departmental capital programme for the period 2019-20 to 2028-29 is £148.7m. The final 2019-20 outturn was £19.2m against the latest revised budget of £26.6m. The budget for future years has been re-profiled in line with the projected expenditure.

62. The progress of major schemes is outlined below.

Highways

63. The Highways capital renewal programme completed ahead of planned forecast for the year with the team being able to provide improvements to 132 roads across the borough instead of the expected 125. £300k budget for highway structures maintenance achieved total spend of £291k. Devolved highways budget projects showing improvement against previous years with a spend of £556k against a forecast of £576k which is due to the difficulties in allocating budgets to schemes.

64. The Principal Roads programme largely performed in accordance with forecast with a slight variation due to minor changes made on site.

65. Cycling infrastructure fund works are currently on site and initial works have been funded from the Local Implementation Plan. However delays in the contractor securing the necessary permits has resulted in some delays to completion resulting in a £19k underspend. This expenditure is expected to be incurred in quarter one in 2020-21.

66. Some delays to permitting and traffic management authorisations have resulted in spend below expected levels; however Forest Hill Rd and Dulwich Wood Park are now both on site. Actual spend is tracking just below forecast with works expected to complete in quarter two in 2020-21.

67. Junction improvement works for Rotherhithe New Rd are now complete and a second phase of improvements away from the junction has been delayed in starting.

68. St Saviours Footbridge is now substantially complete within budget and no further costs expected from this capital budget.

69. The Cleaner Greener Safer programme again proved to be very popular with residents and local groups. Many of the projects contribute to improving air quality, mental health and physical well being in the community. The CGS programme performed within budget and targets with a total spend of £1.957m and an annual budget of £1.8m. The higher spend was due to budget brought forward for monitoring purposes of schemes completed in previous financial

year. A total of 280 schemes were completed.

Flood Prevention

70. Coleman Road Flood Alleviation project substantially completed in 2018-19, additional works were undertaken in 2019-20. Currently going through the process of agreeing final account with the contractor. Work is ongoing across the borough as planned to replace dysfunctional gullies.
71. The major project under development is the Lost Peck Scheme. The Scheme which will protect more than 200 homes and business premises is estimated at £1.4m and is expected to be funded by the Environment Agency. Detail design, approval of business case and implementation is expected over the next two financial years.
72. A number of new Sustainable Drainage Systems (SuDS) schemes are currently under development across the borough mostly in Housing Estates. These include Cameron, Lewes and Mawbey Houses to name a few. These schemes together have received £80k funding from the Greater London Authority's Greener City Fund.
73. London Bridge Strategic SuDS pilot project funded by Thames Water and Thames Regional Flood and Coastal Committee comprising Snowsfields and Melior Street were expected to be implemented in 2019-20 but deferred to 2020-21 financial year.

Asset Management

74. Lamp column replacement on the basis of structural integrity and lantern replacement for energy consumption reduction has been completed for forecasted 2019-20 programme. All columns that failed structurally in the 2018-19 testing programme have now been made safe and/or replaced. Additional design works were bought forward from future programme to ensure no lapse in continuous delivery. Also additional civils requirements with successful completion of full road lamp column replacements this year, which incurred additional costs being brought forward.

Parks and Leisure

75. Delivery of the Parks and Leisure Capital Programme has continued at a steady pace with the completion of 5 schemes and just under £3m spent in 2019-20. There is a programme underspend of £1.6m of the £4.5m budget forecast for 2019-20, largely due to significant delays on some major projects.
76. Three cemetery projects have been completed as part of the implementation of the cemetery strategy to provide new burial space and associated infrastructure improvements. The new Baby and Children memorial area and Area D1 were opened and the conversion and leasing of the small lodge at Camberwell New Cemetery was completed. A long delay to works on the Area Z phase 2 landscaping contract due to difficulties sourcing infill materials has resulted in an underspend of £1m for this project. Programme delays in delivering enabling works at Nunhead Cemetery East Lodge led to a further £450k underspend. Works to stabilise the building was held up when rapid deterioration meant it had

become a dangerous structure needing revised specifications and working methods.

77. Landscaping work at Burgess Park West and construction of the iconic new café building at Southwark Park were also opened to the public with over £1m spent to bring these projects to completion in 2019-20.
78. At the close of 2019-20 the Parks and Leisure capital programme has 40 projects in delivery. Consultation and design has progressed to achieve planning consent for new building constructions at Southwark Park Athletics Centre and Burgess Park Sports Centre hub meaning that construction works on these large projects are on track to commence in 2020-21
79. All projects currently in delivery are on budget within the parks and leisure capital programme.

Culture

80. Cultural Services had a capital budget of approximately £7.3m in 2019-20 to deliver 5 capital projects ranging in value from £33k for Grove Vale Library to £7m for Southwark Heritage Centre and Walworth Library.
81. Kingswood Capital project has been successfully completed and the underspend relates to final accounts with contractor not completed by year end.
82. Grove Vale Library capital project is now complete and the library successfully opened. The Library Infrastructure project upgrading ICT is being completed in two phases. Phase 1 in 2019 has a slight overspend but successfully delivered a new Library Management System.
83. There is a small underspend in public art projects which will be addressed in 2020-21.
84. Library Management System (LMS): The LMS is the overarching database for the library service containing book stock and library membership records. A new LMS provided by Civica has been procured. The new LMS is more efficient, has additional functions, is more user friendly for both staff and customers and enables cost savings to be made. The project to transition to the new LMS was implemented in Feb 2020.
85. Library Self-Service technology upgrade: The council's current library self-service equipment which has been operating since 2009 has reached end of life. Requirements for new equipment were reviewed and the library service has now completed a joint procurement exercise with SELMS partners to secure a new supplier for self service equipment. Approval to award the contract was agreed for Southwark in April 2020. After official award of the tender, the upgrade in self service equipment in all libraries will be implemented and will be completed within 2020-21.
86. The majority of the underspend in capital expenditure relates to Southwark Heritage Centre and Walworth Library. This is due to the timetable for the delivery of the project being re-profiled for delivery by December 2020. This timetable change relates to delays in preliminary stage of the project with partners Lendlease and the growth in the scope of the project to include a

mezzanine with an increased budget The project has successfully progressed through RIBA stages 1, 2 and 3 and is nearing stage 4 sign off.. The works have been tendered for and it is expected that a contractor will be appointed in early June. The project is currently on target to be delivered in the new timetable. However Covid-19 guidance may impact on this and it may require further adjustment.

Environmental Services

Carbon reduction Investment

87. The carbon reduction capital programme is currently being reviewed in order to support the emerging climate emergency strategy. The Tooley Street LED installation project is scheduled to complete in June 2020, and further large installations such as Queens Road are being considered. Feasibility is also being carried out to install LED schemes at all our outdoor sports pitches, as well as seeking carbon reduction opportunities within new builds such as Southwark Park sports pavilion

Air Quality

88. Air Quality Action Plan 2017–2022. Delivery of the Air Quality Action Plan 2017–2022 continues. The Environmental Protection Team (EPT) will be collating data for the mandatory Annual Summary Report (ASR) 2019 in the spring by asking all relevant delivery service areas for their delivery updates. The ASR contains information regarding Southwark’s air quality monitoring data and notes the progress in delivering the Action Plan.
89. Solid fuel project – Southwark Project, over winter EPT are visiting retail outlets in the borough that may potentially sell house coal and wood (logs & sticks). They are making on site checks, interviewing store managers and providing posters for display at point of sale and leaflets to educate staff as part of an information campaign to inform both the public and retailers about the Southwark Smoke Control Area (SCA) and the legal restrictions on the delivery and use of smoky fuels in the SCA. One trader has agreed not to renew stocks of house coal when existing stock has been sold. There was an article in the winter edition of Southwark Life to educate householders and social media releases were issued.
90. Air Quality Monitoring Stations – The selection process for a contractor is complete and the formal approval process to appoint the contractor has been undertaken.
91. School air quality audits – The procurement strategy has been approved and this work is in abeyance whilst the schools are closed due to the Covid-19 lockdown. Preparations are being made with regard to the identification of a contractor and it is hoped the project will proceed in schools when they re-open.
92. Road Closures – The evaluation of air quality monitoring around several significant road closures has been undertaken and the evaluation report has been drafted and will shortly be finalised.

Mayor's Air Quality Fund projects

93. Walworth LEN: public and business engagement phase 1 is complete. Two low cost air quality monitors were co-located with a monitoring station and stabilised prior to deployment. Officers from EPT and Highways have convened a community focus group, to devising specific proposals for the phase 2 consultations.
94. Street Sweeping: Lambeth led joint project. The contractor to undertake the testing has been appointed and literature review completed. Testing is now in process.
95. Anti-idling – Camden and City of London led joint project. Southwark is in process of arranging further anti-idling events in the borough for this financial year; however this project has also been impacted by the current requirements for social distancing. Options for events or publicity that do not require face to face interactions are under consideration by the lead authorities.

HOUSING AND MODERNISATION

Housing General Fund

96. The total value of the Housing and Modernisation general fund capital programme for the ten years to 2028-29 is around £102m and comprises a diverse range of activity, mostly of a corporate back-office nature which supports wider service delivery across the council. Expenditure for the year was £8.7m, around £1m lower than programmed due in part to the impact of Covid-19 in the latter weeks of March, but also because of the often complex nature of the projects and inter-dependencies with other work streams which can lead to slippage and re-profiling in order to deliver optimum service outcomes and best value. The key headlines are outlined below.

Modernise – Corporate Facilities Management (CFM)

97. The FM programme enables the council to meet its statutory responsibilities for ensuring its operational buildings are compliant with health and safety regulations and ensure the wellbeing of its employees and service users. This is achieved through a comprehensive inspection and assessment regime and building lifecycle maintenance programme designed to enhance their life and maintain asset value. Expenditure for the year was £4.0m well ahead of earlier expectations.

Modernise – Queens Road 4

98. This represents one element in the council's office accommodation strategy by rationalising existing office provision into a two-hub model at Tooley Street and the Queen's Road complex. There are a number of physical constraints associated with the proposed QR4 site which has warranted further redesign and address potential planning restrictions which has led to programme delays during the year.

Modernise – Information Technology and Digital Services (ITDS)

99. There are a number of major projects underway and in development; not least

the data centre migration to a cloud computing environment (Azure). The adoption of a revised SICTS operating model during the year will deliver improvements in strategic planning and greater operational resilience going forward. Expenditure for the year was £0.7m, lower than previously forecast as less critical projects have been re-prioritised and re-profiled.

Modernise – Smart Working Programme

100. The ‘modern ways of working’ programme seeks to transform the way the council operates by enabling council employees to work in more flexible and efficient ways, supported by technology. This has been amply demonstrated in recent weeks with the council’s response to the Covid-19 lockdown, through the accelerated roll-out of remote working technology which has seen a step-change in staff’s ability to successfully maintain service provision remotely. Expenditure for the year was £0.3m.

Asset Management – Housing Renewal

101. Housing Renewal comprises a range of initiatives that principally support people living in private sector accommodation to remain living independently through assistance with repairs and maintenance and adaptations to their homes. Support is also provided to landlords and property owners to bring their properties back into use. The programme is largely funded through Disabled Facilities Grant (DFG) and the council’s own resources for the provision of grants and loans. Expenditure for the year was £1.5m, with programme slippage being recycled in to 2020-21.

Resident Services – Traveller Sites

102. A programme of reconfiguration and improvement works to address health and safety and compliance issues (principally fire safety) across all travellers sites commenced in 2018-19 at the Ilderton Road. Works to other sites are progressing and are expected to complete during 2020-21. The council has secured grant funding of £1.738m from the Greater London Authority (GLA) towards the cost of this works programme. Expenditure incurred during the year was £1.3m.

Leathermarket JMB

103. Expenditure of £0.1m incurred in the current financial year represents the final tranche of council funding towards the development of new homes by the JMB at Marklake Court, formerly the Kipling Street garages site.

HOUSING INVESTMENT PROGRAMME (HIP)

104. Capital investment in the council’s housing stock during 2019-20 was £157.3m comprising £90.5m on the existing stock, £50m on new council homes including acquisitions and site assembly for future new homes and £16.8m on wider regeneration schemes. In terms of funding the mainstream maintenance/renewal programme was funded from HRA revenue/reserves (£82.9m) and receipts/other contributions (£24.4m). Funding for the new build programme comprised RTB receipts (£4.2m), S106 developer contributions (£16.3m) and grants of £9.3m and £20.2m new borrowing.

105. The scale of the planned investment over the next ten years is around £1.7bn and will consume far greater resources than the council has at its disposal or is likely to be able to generate. Whilst grant funding from the Greater London authority (GLA) to support the delivery of new homes and the relaxation of borrowing restrictions are to be welcomed, further government support will inevitably be necessary going forward.
106. New borrowing has been almost exclusively reserved for the provision of new homes and over the long-term will not be sufficient to deliver the council's commitment to build 11,000 properties. The freedom introduced in 2019 is not a panacea for unfettered borrowing as the revenue financing costs of servicing the debt must be sustainable over the long-term (thirty to fifty years on average) from the HRA. Borrowing remains subject to the provisions of the Local Government Act 2003 which requires local authorities to have due regard to CIPFA's 'Prudential Code' when determining how much it can prudently afford to borrow. Consideration of borrowing along with other financing sources remains part of any scheme appraisal and is assessed on a case-by-case basis. Borrowing will inevitably increase going forward as other resources decline and the use and mix of capital funding streams remains subject to strict criteria/restrictions.

Quality Homes Investment Programme (QHIP)

107. QHIP is the principal strand of the council's asset management strategy for maintaining and renewing the existing housing stock and is the successor to Warm, Dry, Safe (WDS). QHIP recognises the need for a cyclical approach to maintenance and aims to address wider investment needs including internal works, such as kitchens and bathrooms. Expenditure in 2019-20 was £57m, lower than previously forecast, which has mitigated some of the resource pressure in-year. In light of other competing programme commitments and to ensure the HIP remains sustainable and affordable over the long-term, it remains subject to review and re-profiling in line with resource availability.

Heat Network

108. The council is fully cognisant of the substantial investment required in the district heating network over the long-term, notwithstanding the investment that has already and continues to be made through QHIP and other specific works programmes. Running in tandem is the council's ambitious commitment to be carbon neutral by 2030, which adds a further layer of complexity and cost. A comprehensive Heat Network Strategy is being developed which will identify options and better inform the discussion about potential cost and funding options. The HIP budget has been increased to £350m over an extended period, to reflect the potential quantum of the investment need required.

Major Works (High Needs)

109. The 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. Programme resources of £50m have been identified through to 2028-29, with £26m spent in total by 31 March 2020, principally for the Tustin Estate. Other schemes in the pipeline over the medium-term are Ledbury, Abbeyfield and Chilton Grove.

New Council Homes

110. The council continues to make good progress against its ambitious new homes target. At 31 March 2020, 677 new homes had been delivered with 266 on-site and 2,965 in planning/ awaiting approval. The delivery programme also includes shared ownership and private sales units. The homes are being delivered through a combination of direct delivery, the Southwark Regeneration in Partnership Programme (SRPP), hidden homes and the acquisition of privately developed new build affordable homes. However, achievement of the council's longer-term commitment to build 11,000 homes by 2043 will require more development land and the council remains alert to market opportunities to acquire sites that offer scale and value for money. Expenditure at outturn was £50m for the year.

Regeneration Schemes

111. Total expenditure of £16.8m was incurred in-year, principally on the Aylesbury Estate (£15.2m), which was almost exclusively for leasehold acquisitions. The project has been subject to unavoidable delays arising from the rejection of the council's original CPO application resulting in a slower acquisition completion rate for phases 1 and 2. Given the continued uncertainty, further revisions to the current forecast and the overall programme are likely and will be kept under close review.
112. Phase 3 environmental works on the East Dulwich estate, which commenced this year, was £0.5m. The scope of the works includes drainage works, playground refurbishment, new communal gardens, car parking, pedestrian paving and planting across the estate and is expected to be completed during the next financial year.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

113. 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.
114. 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
Capital programme refresh for 2018-19 to 2027-28	Southwark Council Finance and Governance 160 Tooley Street London SE1 2QH	Rob Woollatt, Interim Departmental Finance Manager, Finance and Governance
Link: (please copy and paste into browser) http://moderngov.southwark.gov.uk/documents/s80724/Report%20-%20Capital%20Refresh.pdf		

APPENDICES

No.	Title
Appendix A	General fund Outturn Position 2018-19 and Refresh for 2019-20 to 2027-28
Appendix B	Housing investment programme summary outturn 2018-19 and Refresh for 2019-20 to 2027-28
Appendix C	Budget virements and variations at 2018-19 outturn
Appendix D	General fund programme detail at 2018-19 outturn and Refresh for 2019-20 to 2027-28

AUDIT TRAIL

Cabinet Member	Councillor Victoria Mills, Finance, Performance and Brexit	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Rob Woollatt, Interim Departmental Finance Manager, Finance and Governance	
Version	Version 3	
Dated	5 June 2020	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Democracy	Yes	Yes
Strategic Director for Finance and Governance.	N/a	N/a
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	5 June 2020	