

<b>Item No.</b> 11.	<b>Classification:</b> Open	<b>Date:</b> 2 February 2021	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Policy and Resources Strategy: capital monitoring report, including capital programme update 2020-21 (month 8)	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Rebecca Lury, Finance and Resources	

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

As ever, we remain committed and ambitious about our ability to deliver major investments and improvements in our Borough. However, the impact of Covid-19 has had far reaching consequences which we could not have foreseen when we set the Budget back in March 2020, and which we expect to continue to have a significant impact on our financial position going forward.

Whilst activity was showing signs of recovery when we last reported to Cabinet in October, the Covid-19 pandemic continues to impact adversely on the delivery of the 2020-21 capital programme.

In order to provide as much certainty as we can during these changeable times, we have reviewed the entirety of the Capital Programme, to consider those projects which should be prioritised and those areas where we may need to think again about the timescales for delivery. The outturn forecast remains substantially below planned expectations, and the programme has therefore been adjusted to accommodate some of the inevitable delays.

As such, the re-profiled overall capital programme for 2020-21 is £251.8m, £136.0m of which is General Fund and £115.8m on the Housing Investment Programme.

The Council has committed to doing everything that it can to make Southwark carbon neutral by 2030. The Council already invests substantial resources in projects that contribute to this priority including our commitments to build energy efficient new homes, to provide efficient heating systems to our council homes, to plant trees and improve air quality and to reduce our operational property estate. However, we recognise the need to do more and are investing a further £25m to help tackle the climate change emergency.

It remains one of the Council's top priorities that young people in Southwark have the very best start in life. We know that our teenagers in particular face increasing and complex challenges and we want to ensure their improved wellbeing and resilience as well as do more to reduce the risk of young people

being drawn into serious youth violence. I am therefore pleased to announce an additional capital allocation of £1m to support the delivery of the Cabinet's ambitious plan for youth provision which will sit alongside dedicated revenue budgets.

## **RECOMMENDATIONS**

That cabinet:

1. Notes the forecast outturn and resources for 2020-21 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. Approve the inclusion in the programme of the capital bids set out in Appendix E;
4. Notes the significant funding requirement of £384.1m 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.
5. Notes the significant funding requirement of £103.9m 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**

6. On 18 October 2020 the capital monitoring report including capital programme update 2020-21 (month 5) was presented to the Cabinet. This reported the forecast capital outturn of £178.8m and financing requirement (i.e. borrowing) of £120.7m on the General Fund programme. Forecast spend on the housing investment programme for the financial year 2020-21 was £223.0m, with £59.7m financed by borrowing.
7. The total programmed capital expenditure over the ten year period 2020-21 to 2029-30 is £574.7m for general fund and £2,096.0m for the housing investment programme.
8. The scale of the capital programme is immense, representing a major element of the council's financial activities. It has a significant and very visible impact on the borough and hence on the lives of those who live, learn, visit and do business in the borough.
9. Due to the size and scale of the programme and the number of projects involved, it is inevitable that unforeseeable delays can occur which lead to some variations against planned spend. The Covid-19 pandemic

effectively halted the programme in March 2020. Whilst activity has started to recover, delays and additional costs were inevitable.

10. Actual resources may also vary to the plan, due to, for example, a delay in the sale of a property, or an external development with s106 or CIL obligations not being brought forward as quickly as anticipated. This has historically resulted in the capital programme being over-programmed in year, whilst retaining a balanced programme over the entire ten year life of the programme. However, the council now faces a position where planned spend is considerably in excess of forecast resources, not only in year, but also over the life of the programme.
11. 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.

## **KEY ISSUES FOR CONSIDERATION**

### **Programme position at Month 8 2020-21**

12. The capital programme is detailed within the report and appendices as follows:
  - Appendix A set out the summary of the general fund capital programme 2020-2030
  - Appendix B sets the housing investment programme 2020-2030
  - Appendix C sets out capital programme budget virements and variations for approval
  - Appendix D provides further information on the general fund capital programme 2020-2030.
  - Appendix E details new capital programme bids to support the delivery of the refreshed council plan to deliver a fairer future for all. Departmental narratives provide further detail on these bids.

### **General Fund**

13. Attached at Appendix A is a summary of the general fund capital programme position as at month 8. The total programmed expenditure over the period 2019-20 to 2029-30 is £574.7m. The forecast spend in 2020-21 is £136.0m against a programmed spend of £183.4m.
14. Capital expenditure to the end of Month 8 was £38.0m representing 28% of forecast spend for the year.

15. Appendix C details the budget virements and variations for approval by cabinet.
16. Appendix D provides a breakdown of the programme by directorate and project and the departmental narrative statements (paragraphs 29 to 102) provide further details.
17. This programme position will continue to be monitored and reviewed over the remainder of the financial year and the final outturn position will be reported to cabinet.

### **Housing Investment Programme**

18. The housing investment programme is forecasting total expenditure of £2,096.4m over the period 2020-21 to 2029-30. The forecast spend in 2020-21 is £115.8m against a budget of £221.2m. Spend to the end of month 8 was £57.7m representing 50% of total forecast spend for the year.
19. A breakdown of the schemes and budgets within the housing investment programme is included in Appendix B. Further narrative is provided at paragraphs 103 to 110.

### **Resourcing the 2020-21 programme and onwards**

20. 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.
21. 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.
22. 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.
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.

25. 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.
26. In the current ten year programme included within this report, there is a forecast shortfall of available funds of £383.1m to meet the planned general fund capital commitments and a borrowing requirement of £890.4m to fund the ambitious housing investment programme.
27. 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.
28. 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 2020-21, there are likely to be future demands for borrowing and these will be assessed as necessary at the time as part of our treasury management strategy.

### **Departmental Updates**

29. The sections below provide commentary on the budget outturn position by department for 2020-21.

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

30. The total value of the capital programme for the department over the period 2020-21 to 2029-30 is £241.0m. Project managers have reviewed the progress of the various schemes and budgets have been re-profiled in line with anticipated spend. The projected spend for this year is currently

estimated to be £77.2m against the budget of £89.2m

### **Regeneration Division**

31. The regeneration division (comprising of four project areas, namely Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services) has a combined budget of £172.7m with expenditure of £67.3m projected to be spent in 2020-21 and the remaining spend profiled across future years.

Walworth Road Town Hall

32. In December 2020 General Projects, the council's partner for the Walworth Town Hall project received planning and listed building consent for the refurbishment of the buildings and their use as co-working and business start-up space with a café and community space. This is a significant milestone in the programme to restore these Grade 11 listed buildings and to remove them from the building at risk register. The developers programme anticipates a start on site in quarter 2 of 2021/22.

Canada Water

33. Cabinet approved terms for a Master Development Agreement in March 2018. The agreement consolidates land holdings at Canada Water paving the way for the comprehensive redevelopment of a 55 acre site which will deliver new homes, [including up to 700 affordable units], jobs, new leisure centre [to replace Seven islands] public routes and open spaces. Under the terms of the agreement the council has secured a 20% interest in the site and has an opportunity to invest in the regeneration of the area on a plot by plot basis. The agreement provides a flexible framework by which the council can potentially benefit from the growth in capital values and rent which are expected to be generated from British Lands transformation of this key site. These returns could be used to support the funding of services benefitting residents. Plot investment decisions will be the subject of separate Cabinet reports the first of which is scheduled for March 2021.
34. Planning Permission for a hybrid application [detailed phase 1 and outline for all other phases] was granted in July 2019. The application was the subject of a Judicial Review process which ended in November 2020 when the claim was dismissed. The application can now be implemented and as a consequence the council was able to complete the MDA in December 2020. On completion of the agreement the council is required to make payments to British Land to meet the cost of its 20% share of the former Rotherhithe Police Station site and Dock Offices sites. These parcels of land form part of the development site and planning consent. In addition a payment is also required to meet costs arising from development of the scheme to date. In combination these payments are an investment which will ensure the council retains its 20% share in the

MDA site and plot investment options.

#### Canada Water Leisure Centre

35. The council's new Leisure Centre which will replace Seven Islands is to be located on plot A2 within the British Land Canada Water Masterplan. The judicial review process ended in November 2020 meaning that the planning permission issued for the masterplan in May 2019 (which includes the leisure centre) can now be implemented. Subsequently in December 2020 the council completed the property transaction with British Land in accordance with the Master Development Agreement agreed by Cabinet in March 2018. The achievement of these significant planning and property milestones will enable this transformational project to proceed to the implementation phase. Approval is now sought to include the council's contribution to historic project costs within the capital programme in the sum of £5.2m. Early enabling works are now underway to prepare for plot A2 for development. The construction of the leisure centre is a complex project and is expected to take around four years to complete.

#### Elephant and Castle Open Spaces

36. Dickens Square/ Dickens Fields: Contract awarded. Construction works started on 14 December with expected completion in June 2021.
37. Victory Community Park: Consultation on current proposals delivered throughout August and September via online survey and remote session. Final design pre-planning consultation and internal approvals in early 2021. Planning submission February – May 2021.
38. Nursery Row: Approval of Project Initiation Document (PID) in February 2021.

#### Local CIL Programme

39. The council launched a community consultation exercise in March 2020 to find out residents project ideas for spending the £6.5m of local CiL which has been secured from developments across the 23 wards in the Borough. Over 1000 project ideas were submitted. Following an assessment process councillors have agreed Community Investment Plans [CIP's] for their wards identifying local infrastructure projects that they wish to deliver over a 3 year period. The CIP's for all 23 wards in the borough were approved by cabinet in December 2020 and January 2021. In total around £6m has been allocated to 66 projects. Projects include investment in parks, youth and community facilities.

#### 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. Works are underway and nearing completion.

#### Peckham Library Square

41. Peckham Library Square comprises of two distinct elements. A contribution of £900,000 to fund the gallery as part of the council homes scheme Peckham Gateway which was initially considered as a HRA asset and formed Housing Investment Programme, but as it has a wider use, it is more appropriate to be considered as a General Fund asset and its development costs, therefore, to be met from General Fund capital resources. The second element is a budget allocation of £5.7 million for a renewal scheme of the square and surrounding areas as a tangible legacy from the Southwark Stands Together Programme. This is reflected in Appendix C for cabinet approval.
42. The ambition is to deliver a public realm project that will demonstrate the council's learning and development of best practice for community representation and engagement, including those who are often underrepresented in the community. We will aim to ensure that new public spaces are rich in culture and heritage and are sustainable and genuinely owned and enjoyed by local people of all ages. The Square is uniquely located in the heart of Peckham and the project will be expected to use advocates and representative architects to set new standards for effective engagement, including the council's obligations under the Equality Act 2010.

#### 21/23 Parkhouse Street

43. Parkhouse Street is a council homes scheme. The scheme also includes commercial space. Work is ongoing in order to resubmit the design for planning approval. The combined budget for the programme overall remains unchanged at £14,809,517. The costs are indicative at this stage.
44. The following capital bid from Chief Department is also reflected in Appendix C and is submitted for cabinet approval.

#### Canada Water Historic Development Costs (£5.214m)

45. Cabinet approved terms for a Master Development Agreement in March 2018. The agreement consolidates land holdings at Canada Water paving the way for the comprehensive redevelopment of a 55 acre site which will deliver new homes, [including up to 700 affordable units] , jobs, new leisure centre [to replace Seven islands] public routes and open spaces. Under the terms of the agreement the council has secured a 20% interest

in the site and has an opportunity to invest in the regeneration of the area on a plot by plot basis. The agreement provides a flexible framework by which the council can potentially benefit from the growth in capital values and rent which are expected to be generated from British Lands transformation of this key site. These returns could be used to support the funding of services benefitting residents. Plot investment decisions will be the subject of separate Cabinet reports the first of which is scheduled for March 2021.

46. Planning Permission for a hybrid application [detailed phase 1 and outline for all other phases] was granted in July 2019. The application was the subject of a Judicial Review process which ended in November 2020 when the claim was dismissed. The application can now be implemented and as a consequence the council was able to complete the MDA in December 2020. On completion of the agreement the council is required to make payments to British Land to meet the cost of its 20% share of the former Rotherhithe Police Station site and Dock Offices sites. These parcels of land form part of the development site and planning consent. In addition a payment is also required to meet costs arising from development of the scheme to date. In combination these payments are an investment which will ensure the council retains its 20% share in the MDA site and plot investment options. A capital bid is being made to support the Canada Water Historic Development Costs initiative in the sum of £5,214,300. This capital bid is also reflected in Appendix C and is submitted for cabinet approval.

### **Planning and Transport Division**

47. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a combined budget of £5.56m with £4.49m projected to be spent in 2020-21 and the balance profiled over future years.
48. The transport planning budget of £4.49m 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 £1.07m 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**

49. 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.

However the impact of the COVID-19 pandemic and the government's recent widespread changes to the Planning Use Classes are likely to have a considerable impact on these programmes. The first phase of the part Heritage Lottery Fund (HLF) funded Peckham Townscape Heritage Initiative is complete, the second phase of the programme completes by Christmas with a third phase about to commence.

50. The Thames Tideway programme is being developed with S106 secured for play area refurbishment and improvements to the Thames Path. The £700k for the play areas are schemes being developed with the CGS team in Environment and Leisure (E&L) department while the £300k for the Thames Path are being developed with the parks team in E&L.
51. Schemes funded by Neighbourhood CIL are also being developed with colleagues in Highways, Parks and the Regeneration divisions. Surrey Docks Farm has undergone a £500k 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. Projects under development include parks such as Little Dorrit in Bankside and Newington Gardens in the Elephant and Castle. Pedestrian improvements in Camberwell and Dulwich have been affected by the COVID-19 pandemic and the need to ensure social distancing in retail areas

#### TfL Funded Works

52. 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. Design review of Lower Road has been completed, albeit with some delay.
53. Funding has been secured through the London Streetscape Programme, enabling the delivery of temporary works to improve active travel conditions and further support social distancing. This has included works to delivering school streets, provision of additional on street cycle parking and highway changes in Bermondsey Street and Southwark Bridge Road environs to name a few.

#### Elephant and Castle Roundabout Project

54. The capital programme also includes the remaining s106/CIL contribution of £37.71m (part of the total £63m) agreed by the council towards the strategic transport improvements project in Elephant & Castle.

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

55. The total value of the departmental capital programme for the period 2020-21 to 2029-30 is £127.9m with the forecast capital outturn for 2020-21 being £23.4m.

## **Adult Social Care**

56. The capital programme budget for the period 2020-21 to 2029-30 is £32.9m, the main projects being £15m in respect of a programme of improvements to existing care settings; £10m for the provision of an additional bed-based care facility; and £6.2m for an essential lifecycle capital programme for four residential care homes. This report also identifies additional capital requirements for Mosaic Management Information Development. The aim of this project is to enhance the council's social care and education IT systems to develop business intelligence that will drive savings, enhance management information and result in improved outcomes for our service users.
57. The activity on the programmed life cycle work has been considerably affected by the pandemic. However, work has been re-started and contractors are planning to undertake work on a number of sites in 2020-21 that are in the lifecycle programme. However the delays lead to a reduced forecast of £400k for the lifecycle project works.
58. Lifecycle work on residential homes were affected by Covid-19 that resulting in delays in tendering and completing various projects. The expected spend on the homes has been consequently revised to £1.1m for 2020-21 and £2.9m for 2021-22.
59. The Adult Social Care Capital Board has identified a number of priorities for 2020-21 and beyond to meet current and future needs of vulnerable adults in the borough. The council is actively working with commissioned providers and partners to ensure sufficient capacity and choice of high quality provision across the borough.

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

60. The Children's Services capital programme budget for 2020-21 to 2029-30 is £84.5m. This consists of a £31.3m development of Charter & Rotherhithe Schools £17.5m refurbishment and £11.6m on Beormund Special School. There is a further £10.5m for the rebuilding of SILS K3, £8.5m of which is a remaining commitment from the Southwark Schools for the Future programme. The overall programme is focussed on rightsizing provision, ensuring the estate remains fit for purpose (and also on contributing to addressing high needs provision in the borough).
61. The overall context is that there is spare capacity in the primary sector because of falling rolls relating to a reduced birth rate and a slow down in growth in the secondary sector. Opportunities are being explored for rationalisation of buildings to make the best use of existing assets to reduce running costs for schools. There is also pressure to increase place supply for children with special needs, which is a national pressure.

62. Following the completion of the vast majority of projects in school expansion, which have now been successfully handed over, the key remaining project on school expansion is at Rotherhithe School, which received planning consent in April 2019 and is targeted for opening in the winter term 2021, although this will likely be delayed due to Covid-19. The enabling works have been completed and the main contractors started work on site in August 2020. Funding for this project will be monitored closely given the absence of basic need grant.
63. 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. In addition work is planned to start this year on the Riverside School project with funding initially coming from the schools own balances.
64. The Primary Schools Refurbishment programme for 2020-21 is now substantially complete and planning is already well progressed for 2021-22.
65. A Key Priority of the programme is the provision of SEN/ higher needs places, building upon the work at Cherry Garden School and at Park College post 16 provision. Significant work was undertaken at SILS KS3 in 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.
66. Finally, in future there may be capital bids for other priority area such as Adult Learning.

## **ENVIRONMENT AND LEISURE**

67. The total value of the departmental capital programme for the period 2020/21 to 2029/30 is £131.3m. The projected 2020-21 outturn is currently estimated at £23.3m against the budget of £24.2m. However, in view of the current Covid-19 pandemic situation and evitable delays to the some of the projects, a detail review is currently being undertaken with managers to update these projections. Once completed, the updated projected outturn will be reflected in the next capital outturn report to cabinet. The budget for future years will also be updated in line with this review.
68. The progress of major schemes is outlined below.

## Highways

69. The Highways capital renewal programme budget has been increased by 1.7% to £5.51m, due to better than expected delivery of devolved highways projects through the summer period. The expected outturn is now £584,524 for Devolved Highways. The programme is currently approximately in line with the forecast with 64 schemes completed (against a forecast of 65) and a current overspend of 7% (£3.86m against forecast of £3.6m), however it is expected this will reduce to zero as work slows during the winter months.
70. The Principal Roads forecast remains unchanged with the overall budget currently set at £623k for 2020-21. Additional funding for principal roads, beyond the capital budget, has been provided by TfL. This will require an acceleration of the programme and some schemes will be brought forward from future years. Year end is still thought to be accurate, although this is subject to agreement by the contractor and the ability to secure streetworks permits
71. Package 3 of cycle infrastructure fund works are currently largely complete with only resurfacing left to complete. Package 5 is now under construction with completion forecast for Q4. It should be noted that year end outturn has been increased to make allowance for a combination of Covid-19 impacts (additional measures such as marshals and reduced productivity) and the impact of new traffic management rates that are higher than the previous contract.
72. Works to Dulwich Wood Park 20mph zone improvements are now complete with the final account due in Q4. Scheme costs have increased due to impacts of Covid-19 and increased traffic management rates under the new contract. Design work for Sydenham Hill and Brenchley Gardens has now recommenced with works on site expected early 2021-22.
73. Final account for Rotherhithe New Road is now paid. Budget shows £200 overspend to be resolved by year end.
74. Old Jamaica Rd area scheme is substantially complete, however scheme extents were curtailed due to the need to tie in with works next year under TfL funding stream (Tanner St to Willow Walk cycle route). £33k has been carried forward to allow for this.
75. Works outside Crawford School under the school expansion programme were brought forward to take advantage of the school being closed during lockdown. £37k has been brought forward from next year to cover this early completion.
76. St Saviour's Footbridge is now substantially complete within budget and no further costs expected from this capital budget.

77. Cox's Walk footbridge works have been delayed and will not be completed in this financial year. 2020-21 works have been brought forward to account for this allocation of budget.
78. In the 2020-21 Cleaner Greener Safer (CGS) funding allocation there were 204 new projects and 58 new grants. As of November 2020, there were 257 active projects and 97 active grants. As stated previously, the Covid-19 pandemic has and continues to impact the delivery of both projects and grants.
79. CGS project delivery has been slow but steady and the targets which were set reflected this. It was estimated that approximately 112 projects would be completed by the year end with this being reflected in a spend of £950k. As of November 2020, we are slightly above target for both spend and completions and will continue to monitor and amend where necessary.
80. The application round for 2021-22 CGS funding took place in September this year. We received just under 500 applications (which is about normal for CGS) despite running the application period for a slightly shorter time.
81. We have now completed the first round of Multi Ward Area presentation meetings and are awaiting draft funding decision lists from ward councillors ahead of the formal decision-making meetings scheduled for February/March 2021.

### **Flood Prevention**

82. 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.
83. The major project under development is the Lost Peck Scheme. The Scheme which will protect more than 200 homes and business premises is estimated at £1.4m and is expected to be funded by the Environment Agency (EA). Planning approval was granted on 4 March 2020. An outline business case submitted to the EA in July 2020 has received approval in principle. Additional section 106 funds is being sought to cover the cost of general environmental improvements to be delivered as part of the scheme. Aecom Consultants has been commissioned to undertake detailed design and Geotechnical Investigation has also been commissioned to inform detailed design. The scheme is expected to be implemented by the end of the 2021-22 financial year.

### **Asset Management**

84. Lamp column replacement on the basis of structural integrity and lantern replacement for energy consumption reduction is forecasted at full spend and completion of 2020-21 programme. LED lantern renewals are

currently 83% complete and over 42No. structural failures have been replaced. Structural and electrical testing has taken place for full programme.

85. Electric Vehicle lamp post chargers – We are forecasting full spend in 2020-21. To date we have installed over 73No. with the remaining 27No. being installed by the end of January. Further liaison with GULCS and OLEV for necessary reporting is being carried out by AMS in house.

### **Parks and Leisure**

86. All projects currently in delivery are on budget within the parks and leisure capital programme. The current spend forecast for the Parks and Leisure Capital Programme in 2020-21 is £6.4mm of £12.5m budget. This represents an anticipated budget underspend of £6.1m as a result of programme delays due to Covid-19.
87. **Cemeteries:** Construction work at Area Z commenced in May and is on target to complete in April 2021 with an anticipated spend of £1.15m in 2020/21. Construction is also underway at Nunhead Cemetery East Lodge to partially dismantle and re-stabilise the building. Phase 1 is due to complete in January at a cost of £525k. Phase 2 works is currently being reviewed and re-scoped. Combined with a number of fees for other cemetery projects in progress the total projected spend for 2020/21 is £1.76m
88. **Marina Investment:** The construction contract to replace the lock gates started in October and is due for completion in February 2021 with a forecast spend of £983k in 2020-21.
89. **Leisure Investment:** Southwark Athletics Centre, construction programme started in October with a forecast spend of £968k with an underspend of £1.2m in 2020-21 due to programme delay. Similarly, deferred delivery of lifecycle maintenance and SSG disability and outdoor gyms amount to a further £500k underspend.

### **Community Sport Legacy Fund**

90. Officers are currently setting up the framework for the delivery of the community sport legacy fund. It is anticipated that a pilot round will be delivered in the next 6 months and will be aimed at helping residents access physical activity opportunities in a post COVID environment.

### **Culture**

91. Southwark Heritage Centre and Walworth Library project is currently on budget. The budget was increased in 2019 to meet increased cost and scope of project to include a mezzanine. The project is progressing successfully and has now been signed off on RIBA stages 1, 2,3 and 4. The works have been tendered and BW contractors were appointed in

early June. Construction and fit out commenced in late July. The project is due to be delivered in early 2021 within financial year 2020-21. Covid-19 issues may impact on this and it may require further adjustment.

## **Environmental Services**

### **Carbon reduction Investment**

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

### **Environment Capital bids**

93. **Cycle Hangers:** The capital cost for the provision of cycle hangers is currently met mostly through the devolved highways budget with a small level of funding provided through the local implementation plan (LIP) grant from TfL. This level of funding has proven to be insufficient to keep up with demand with the borough-wide waiting list increasing month on month (4,595 at the start of the current financial year rising to 7,516 at the end of October). Additionally the latest council plan targets have required that the existing provision is doubled (from 224 units to 448) by the end of the 2021-22. To tackle this latent demand a capital bid for a value of £800k has been submitted for approval. This value is based on the expected level of funding required based on DHB & CGS funding remaining constant.
94. **Youth Services:** Following a full and detailed review of the Council's youth provision Cabinet agreed an ambitious plan that aims to drive the transformation of services, ensuring that they are fit for purpose and enable the council to deliver its vision and aspirations for young people living in Southwark. The plans place young people at the heart of future service design to ensure that young people influence decisions affecting their lives. This includes ensuring that our facilities are fit for purpose, of high quality and young people friendly, that services meet their needs and enable them to fulfil their potential. This capital allocation of £1m will, alongside dedicated revenue budgets, support the delivery of the plan.

## **HOUSING AND MODERNISATION**

95. The total value of the Housing and Modernisation general fund capital programme budget for the ten years to 2029-30 is £78.6m and comprises a diverse range of activity, mostly of a corporate nature. All areas of the 2020-21 programme have to some extent been impacted by the pandemic and whilst programme activity gradually recovers, it remains

substantially below planned expectations. In-year spend will be around £12.1m against an initial budget of £17.1m.

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

96. Investment is targeted at the council's operational estate to ensure it is fit for purpose and statutorily compliant for the safety and wellbeing of its employees and service users. This is achieved through a comprehensive inspection and assessment regime and building lifecycle maintenance programme. While the works programme overall has been affected, progress has been made taking advantage in some instances of key buildings being largely unoccupied to enable works to be undertaken more efficiently. In moving forward, the service will continue to re-evaluate and re-profile priorities and timelines. The spend forecast for 2020-21 is £3.2m, plus a further £1.5m on projects being delivered on behalf of departmental clients who hold the budgets.

### **Modernise – Queens Road 4**

97. The planned development of QR4 was a key element in the council's office accommodation strategy with a view to rationalising existing office provision into a two-hub model at Tooley Street and the Queen's Road complex. However, the unprecedented workplace changes made in response to the pandemic warranted a re-examination of the proposal and the council took the decision to pause the project to consider its longer-term requirements post Covid-19. This report confirms that the budget has been removed from the capital programme, albeit a provision of £0.4m is retained to accommodate any residual contract costs.

### **Modernise – Shared Information and Communication Technology Service (SICTS)**

98. The critical importance of the council's IT infrastructure demonstrated through the response to the pandemic will continue to focus on upgrading the network infrastructure and internet connectivity together with the cloud migration to Microsoft Azure over the medium-term. However, for the most part during 2020, the focus has been on the delivery of the smart working programme and roll-out of remote working capability, limiting the investment in other areas to an estimated £1.1m.

### **Modernise – Smart Working Programme**

99. The programme is on target to deliver investment of £5.8m in the planned laptop rollout, workstation refresh in key offices, upgrade to telephony and audio visual capability in support of the council's commitment to modernise the way it works and deliver services and create the flexibility needed to drive greater efficiency and productivity.

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

100. Housing Renewal comprises a range of initiatives that principally support people in private sector accommodation to remain living independently through assistance with repairs, improvements and adaptations to their homes. Support is also provided to landlords and property owners to bring their properties back into use. The programme is largely funded through Disabled Facilities Grant (DFG) and the council's own resources for the provision of grants and loans.
101. Due to the pandemic the council had to put on hold works across all tenures in line with Government guidance. However, specific measures were put in place to ensure the service could respond to emergency requests for people with life-limiting conditions or to support hospital discharge. Unspent funding will be rolled forward to accommodate an enhanced programme in 2021-22. The projected spend for 2020-21 is £1.3m of which £1.1m will be funded by DFG.

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

102. Reconfiguration and improvement works to address health and safety and compliance issues are well progressed and due to complete in 2021-22. Phase 2 works at Ilderton Road were a few weeks from completion before the lockdown which caused a delay to the project, but works are now substantially complete. However, this has resulted in additional costs, namely prolonged temporary re-housing, storage of mobile homes and residents belongings and additional safety works identified as the project progressed. The forecast spend for 2020-21 is £0.3m. Planned works at the Brideale and Burnhill sites are subject to review and will be reported to Cabinet at a later date.

### **HOUSING INVESTMENT PROGRAMME (HIP)**

103. Overall, the HIP is forecast to spend £115.8m in 2020-21, comprising £54.1m on existing stock, £55.5m on new council homes including acquisitions and site assembly costs and £6.2m on wider regeneration schemes. This forecast is significantly lower than previously reported and reflects the on-going impact of the pandemic, which had been assumed, would have ended by the autumn, and a more rigorous focus on programme monitoring and forecasting. This will provide greater accuracy and improved resource planning for future years, which is crucial if the council is to meet its ambitions for the existing housing stock and build 11,000 new council homes. The scale of investment will inevitably require borrowing, specifically for new homes, heat network, and potentially new and emerging building safety requirements, which cannot be sustained through existing funding streams. At the same time, the council must ensure that the revenue impact of borrowing remains affordable to the HRA over the long-term, which requires continuous monitoring, review and where necessary, re-profiling of programmes and projects in line with resource availability/affordability.

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

104. 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. Spend in 2020-21 is forecast at £36.6m, significantly lower than planned due to the pandemic, which has resulted in delays across most schemes. In light of other HIP commitments and borrowing capacity, further re-profiling and potential re-modelling of QHIP in subsequent years will be necessary. This will be outlined in the refreshed Asset Management Strategy during 2021.

### **Heat Network Strategy**

105. The council's Heat Network Strategy recognises the substantial investment required in its ageing heat network. Running alongside this is the council's ambitious commitment to be carbon neutral by 2030. A report commissioned in 2016 by industry experts Parsons Brinckerhoff estimated investment of £100m over ten years and a total of £350m over forty years would be required to address the situation. Clearly that cost estimate will now be substantially greater and will also need to factor in the additional cost of becoming carbon neutral. The heat network strategy is being developed and the HIP currently contains an initial allocation of £100m towards meeting this commitment. The first scheme to install ground source heat pumps is currently on-site and progressing well. Forecast spend for 2020-21 is £3.1m.

### **Special Schemes**

106. 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. At this juncture, programme spend of £23.8m has been identified through to 2029-30, with £9.0m in 2020-21 primarily for Tustin estate high-rise. However, programme resources will need to increase significantly as schemes such as the Tustin estate low-rise and Ledbury Towers come to fruition, subject to resident ballots on the preferred options.

### **Other Programme Schemes**

107. The remainder of the main programme covers a wide range of schemes, with forecast spend of £5.4m for 2020-21. This includes fire risk assessment, legacy warm dry and safe schemes, major works on individual properties and hostels and works carried out on behalf of the council by Leathermarket JMB.

### **New Council Homes**

108. The council aims to deliver 2,500 new council homes by 2022, with 677 having been built so far. Projects are on site to deliver a further 576 council homes and a further 1,364 have schemes have received planning permission. Achieving the longer-term commitment to build 11,000 homes by 2043 will require more land for development than is currently available and this is reflected in the HIP with resources earmarked for site assembly. The current spend forecast for 2020-21 is £53.5m on new homes and £2.0m on site assembly and acquisitions. The proposed scheme for new dwellings on the Aylesbury First Development site, previously forecast for late 2020-21, will now fall into the new financial year with a phased payment profile in line with the development plan. The incidence and timing of prospective land and property acquisitions cannot be accurately predicted which is why HIP resources are earmarked to provide the flexibility to enable the council to avail itself of market opportunities as they arise.

### **Regeneration Schemes**

109. Forecast spend on regeneration schemes for 2020-21 is £6.2m. The most significant regeneration scheme is the Aylesbury estate, which is planned in four phases. Forecast expenditure in 2020-21 is £4.0m which is almost exclusively for leasehold buybacks. The project has been subject to unavoidable delays arising from the rejection of the council's original CPO application resulting in a slower buy-back rate for phases 1 and 2. Given the continued uncertainty, further revisions to the current forecast and the overall acquisition programme are possible and will be kept under review.
110. Phase 3 environmental works on the East Dulwich estate, which commenced last year, are forecast to spend £1.4m. The scope of the works includes playground refurbishments and new communal gardens, new car parking areas and pedestrian paving, new planting across the estate and minor drainage works. Other works within this programme area included feasibility studies for the Tustin low rise programme (£0.3m), residual works on legacy schemes (£0.4m) and commercial properties (£0.1m).

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

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

111. 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.
112. 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

113. The council regularly updates Cabinet on the capital monitoring position. This is vitally important in the current circumstances of the Covid-19 pandemic, and its financial impact on the councils overall financial position.

#### REASONS FOR LATENESS

114. We continue to monitor and review the financial impact of the pandemic on the council's overall capital programme and financial position in the context of the latest government announcements. The Prime Minister announced on 27 January that the national lockdown will be extended until at least March. The 2021-22 proposed revenue budget will be considered by Cabinet on 2 February.

#### BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resources Strategy: Capital monitoring outturn report 2019-20 and Capital Programme Refresh for 2020-21 to 2028-29	Southwark council Finance and Governance 160 Tooley Street London SE1 2QH	Rob Woollatt, Departmental Finance Manager, Finance and Governance
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/documents/s89251/Report%20Capital%20Outturn%202020-21.pdf">http://moderngov.southwark.gov.uk/documents/s89251/Report%20Capital%20Outturn%202020-21.pdf</a>		

#### APPENDICES

No.	Title
Appendix A	General fund summary monitoring position at Month 8 2020-21
Appendix B	Housing investment programme summary monitoring position at Month 8 2020-21
Appendix C	Budget virements and variations at Month 8 2020-21
Appendix D	General fund programme detail at Month 8 2020-21
Appendix E	New capital bids

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Rebecca Lury, Finance and Resources	
<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Rob Woollatt, 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>	29 January 2021	