

Item No. 10.	Classification: Open	Date: 15 June 2021	Meeting Name: Cabinet
Report title:		Policy and Resources Strategy: Capital monitoring outturn report 2020-21	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Rebecca Lury, Finance, Performance and Democracy	

FOREWORD – COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE, PERFORMANCE AND DEMOCRACY

As ever, the Council has continued to deliver major investments and improvements into our borough through the capital programme despite the necessity to review and revise the programme during 2020-21.

At the end of the financial year, work funded by the Housing Investment Programme was £215m, comprising £71m on existing stock, £132m on new council homes and £12m on wider regeneration schemes. The council aims to deliver 2,500 new council homes by 2022. At 31 March 2021, 706 have been built, projects are on site will deliver a further 789 new homes and 28 schemes having received planning permission to deliver a further 1,037 new homes that will start on site or complete by 2022.

Investment in General Fund assets during the year was over £116m including investments in schools, highways, environment and leisure, in addition to investment in our existing operational assets and IT infrastructure.

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.

RECOMMENDATIONS

That cabinet:

1. Notes the 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. Notes the substantial funding requirement of £290m 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 borrowing requirement of over £900m required for future years 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 2 February 2021, the month 8 2020-21 capital monitoring report was presented to the cabinet. This reported the capital forecast position of £251.8m and borrowing requirement of £96m (£88m on the general fund programme and £8m on the housing investment programme).
6. The total programmed capital expenditure over the ten year period to 2029-30 is £578m for general fund and £2,159m 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 2021 the council assembly agreed a refreshed 10 year general fund capital programme and housing investment programme (HIP) for the period to 2029-30. 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 has 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

- In meeting the council's fairer future promises, in 2020-21 the council made a total capital investment of £331m. This comprised £116m investment in General Fund and £215m in the Housing Investment Programme.

Capital Expenditure in 2020-21 by Service Department:

Department	Budget £'000	Actual £'000	Re- profiling to future years £'000
Children's and Adults' Services	21,449	11,652	9,797
Southwark Schools for the Future	2,891	2,891	0
Chief Executives	79,065	69,431	9,634
Environment & Leisure	23,507	20,161	3,346
Housing & Modernisation	12,240	11,912	328
Housing Investment Programme	189,753	215,381	(25,628)
Total capital expenditure	328,905	331,428	(2,523)

- Due to the size and scale of the programme and the number of projects involved, it is inevitable that some variations against planned spend will occur.

Programme outturn position 2020-21

General Fund

- The total-spend for 2020-21 for general fund is £116m against a plan of £139m (83% of forecast). The variance between spend and available resources was £89.9m, which was funded from borrowing
- The total forecast spend for the programme to 2029-30 is £578m, against total resources, excluding borrowing, of £194m. This variance will need to be monitored and reviewed over the course of programme.
- 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.
- Appendix C shows the budget virements and variations for approval by cabinet.

Housing Investment Programme

18. The total expenditure for 2020-21 is £215.4m, against a forecast at Month 8 of £115.8m. Appendix B provides a summary of the housing investment programme outturn position for 2020-21, with further detail provided below.
19. The total forecast spend for the programme to 2029-30 is £2,159m, against total resources, including borrowing, of £2,052m. This variance will need to be monitored and reviewed over the course of the programme.

Financing capital spending

20. 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.
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. Financing of 2020-21 capital expenditure is set out below:

	General Fund £'000	HIP £'000	Total £'000
Total Spend	116,033	215,381	331,414
Financed by:			
Capital Receipts	2,008	12,904	14,912
Capital Grants and contributions	11,946	33,506	45,452
Section 106 Funds	12,150	39,520	51,670
Major Repairs Reserve	-	52,726	52,726
Revenue contributions and reserves	-	20,640	20,640
Borrowing	89,943	56,085	146,028
Total financing	116,047	215,381	331,428

24. 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.
25. 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, 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 capital spending and to maintain target cash balances.

Resourcing the 2021-22 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 £385m to meet the planned general fund capital commitments. The ambitious housing investment programme assumes borrowing of £958m.
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. Future demands for borrowing will be assessed 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 2020-21.

GENERAL FUND (APPENDIX A)

CHIEF EXECUTIVES

31. The total value of the capital programme for the department over the period 2020-21 to 2029/30 is £218.3m. Total expenditure incurred to the end of March 2021 amounted to £69.4m.

Regeneration Division

32. The regeneration division (comprising of 4 project areas namely Regeneration North, Regeneration South, Regeneration Capital Works & Development and Property Services) have a combined budget of £173.5m with total expenditure of £59.5m spent in 2020-21 and the remaining spend profiled across future years.

Walworth Road Town Hall

33. 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 s106 agreement is in the process of being concluded and planning permission is expected to be issued during June enabling the developer to start on site in quarter 3 of 2021-22.
34. The community space will be managed by a new body with an independent chair and will comprise representatives from the community, youth, council and developer. An independent advisor will be shortly appointed to recruit the community, youth and independent chair. The management body once formed will have responsibility for appointing an operator to run the facility on a sustainable basis.

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. As noted in the last update planning permission for the new facility has now been secured for this transformational project and enabling works are now underway to prepare for plot A2 for development. British Land expect to appoint a main contractor for the project by quarter 3 of 2021-22. The current programme anticipates that the new leisure centre will be open to the public in 2025.

Elephant and Castle Open Spaces

36. Dickens Square/ Dickens Fields: Contract awarded. Construction works

started on 14 December with expected completion in July 2021 as opposed to June as previously reported. This slight delay is due to works around the mosque being deferred due to Ramadan.

37. Victory Community Park - Consultation on current proposals delivered throughout August and September 2020 via online survey and remote session. Consultation period has been extended at the community and ward councillors request. Consultation on developed design May – July. Planning submission August – November 2021. Construction Jan – May 2022.
38. Nursery Row: Approval of PID in February 2021. Consultation starts July 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.
40. Projects include Little Dorrit Park in Bankside and Newington Gardens in the Elephant and Castle. Pedestrian improvements will be undertaken in Camberwell and Dulwich which have been affected by the COVID-19 pandemic and the need to ensure social distancing in retail areas. The process of implementing these projects over the next 3 years has now commenced.

44 Webber Street

41. 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. This has been a complex project and as at month 12 some degree of overspend is anticipated, running into 2021-22. The final outturn figures are in negotiation with our advisors and the contractor and may be the subject of arbitration.

Voluntary Sector Strategy

42. Voluntary Sector Strategy entails necessary works to VCS buildings, and

in particular the refurbishment of Sojourner Truth Centre to be completed in 2021-22. Additional projects have been identified and are being appraised – 12a Asylum Road, Wells Way, 177 Abbey Street. If the council is to retain the buildings it will need to invest to avoid them becoming unusable liabilities. We propose to develop individual capital bids for these and some commercial assets in a similar position. The options are being reviewed and cabinet will be updated in the next capital monitor report

Pullens Yard Improvements

43. Pullens Yard Improvements is an ongoing project to achieve minimum fire safety compliance in old workshop premises integral with tenanted and leasehold residential premises. The project is underway, on a unit by unit basis with £178k spent in 2020-21, and further expenditure expected throughout 2021-22.

Void Shops

44. Void Shops now unbudgeted. However, these are essential works to ensure that shops meet minimum statutory, safety and environmental performance standards. If capital cannot be made available to continue the programme either the costs will need to be met from income (primarily HRA revenue), or the shops will become unlawful to let. The options are being reviewed and cabinet will be updated in the next capital monitor report.

Peckham Library Square

45. Bouygues have been appointed as the contractor. The council has paused the new homes scheme, which includes a gallery funded by the General Fund, until the public realm consultation has been carried out.

21/23 Parkhouse Street

46. Parkhouse Street is a council homes scheme. The scheme also includes commercial space. Updated information was submitted for the planning application in March 2021 and a decision on planning approval is awaited. The combined budget for the programme overall remains unchanged at £14.8m. The costs are indicative at this stage.

Canada Water Historic Development Costs

47. 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 Land 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.

48. The council completed the MDA in December 2020 and planning permission has also been secured. Once the agreement was completed the council was 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 was also required to meet costs arising from development of the scheme to date. These payments have now been made ensuring the council retains its 20% share in the MDA site and plot investment options.

Planning and Transport Division

49. The planning division (comprising of 2 project areas, namely transport planning and planning projects) has a total budget of £7.1m with £4.98m total expenditure in 2020-21 and the balance profiled over future years.
50. The transport planning has a budget of £6.6m which is largely funded by Transport for London (TfL) to deliver transport improvement programme as contained within the borough's movement plan. Planning Projects has budget of £0.5m is funded mainly by external grants and capital receipts to deliver various projects to improve public realm to support the commercial viability of local shopping area in Peckham.

Peckham Townscape Heritage Initiative

51. Phase 1 of the part Heritage Lottery funded Peckham Townscape Heritage Initiative completed in 2019; Phase 2 will achieve practical completion by end of May 2021, and Phase 3 is in detailed design, will be on site November 2021 and completed May 2022.

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. A review has been completed of the design of Cycleway 4 along Lower Road, albeit with some delay, to and through Surrey Quays town centre to Lewisham.
53. Funding has been secured through the London Streetscape Programme, enabling the delivery of experimental 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 cycleways. An additional £250k has been provided by Impact on Urban Health (formerly GSTTC) to create low traffic neighbourhoods in north Camberwell, north Peckham and around the Ark Walworth Academy.

Elephant and Castle Roundabout Project

54. The capital programme also includes the remaining s106/CIL contribution of £37.7m (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 £123.2m the final departmental capital outturn for 2020-21 was £14.5m.

Adult Social Care

56. The capital programme budget for the period 2020-21 to 2029-30 is £32.9m, the main projects being; £16m 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. The budget for future years has been re-profiled in line with projected expenditure.
57. The activity on the programmed life cycle work has been considerably affected by the pandemic. This resulted in some delays in the planned work on a number of sites in 2020-21. The programme delays lead to a lower than predicted spend of £216k in 2020-21 which is around £384k reduction to the forecasted spend.
58. Lifecycle work on Residential homes were also affected by Covid-19 that resulted in delays in tendering and completing various projects. The expected spend on the homes has been consequently revised to £1.1m for 2020-21 however the actual outturn was even lower at £726k.
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. 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). 2020-21 Outturn for the Children's Services Capital Programme is £10.5m

61. There is an additional £5.5m remaining in the Soutwark Schools for the Future Capital Programme which consists of the rebuilding of SILS KS3. 2020-21 outturn for SSF is £2.9m.
62. 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.
63. Following the completion of the vast majority of school expansion projects which have now been successfully handed over, the key remaining project on school expansion is at Rotherhithe School. The main works are progressing well, and target completion and decant into the new school is scheduled for December 2021, with demolition of the existing school and landscape works to follow, completing in June 2022. Funding for this project needs to be monitored closely given the absence of basic need grant.
64. Work is progressing well on Charter School East Dulwich phase 2, which includes the 6th form centre and resource base with a targeted completion date of September 2022. In addition work is planned to start this year on the Riverside School project.
65. The Primary Schools Refurbishment programme for 2020-21 is now complete and planning is already well progressed for 2021-22 programme.
66. 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 2020-21 and the project is now complete. However, there has been some slippage in the opening of resource unit at COLA. In addition the planned project at SILS KS4 needs to be reviewed given the change in market conditions, and this may be subject to a future capital bid.
67. In the future there may be capital bids for other priority area such as the Adult Learning Service.
68. The Children and Families division is requesting funding of £235k in order

to complete the current programme of works aimed at increasing in-house fostering capacity. Three homes of foster carers are being converted in order to accommodate children with various, and in some cases complex, needs. This is an invest-to-save project which avoids significant placement costs in residential settings. The original budget was approved in 2018 was based upon an initial estimate without there being surveys conducted and quotes prepared by our Property division, and thus has turned out to be inadequate. Future requests for funding will take lessons learned into account.

ENVIRONMENT AND LEISURE

69. The total value of the departmental capital programme for the period 2020/21 to 2029/30 is £158.1m. The final 2020/21 outturn is £20.2m against the latest revised budget of £23.5m. The budget for future years will also be updated in line with the outturn.
70. The progress of major schemes is outlined below.

Highways

71. The final outcome of the Highways capital renewal programme budget was £5.4m, due to increased traffic management costs on the new contract. However the capital renewals programme remains ahead of schedule following a major push to take advantage of favourable rates under the old contract. The final outturn for Devolved Highways is £400k which is down against forecast due to completions on a number of schemes extending into the new financial year
72. The Principal Roads programme has finished approximately on forecast with a final outturn of £627k against a forecast of £623k for 2020-21. Additional funding for principal roads, beyond this capital budget, was provided by TfL. This allowed some acceleration of the programme and some schemes will be brought forward from future years.
73. Completion of works under the cycle infrastructure fund have been delayed by the closure of Rye Lane, which was to be used as a diversion route, resulting in a £223k underspend which will be completed during the coming summer.
74. Construction work for 20mph zone improvements have progressed well this year and final outturn of £661k is approximately in line with forecast. Increased traffic management rates under the new contract may result in a funding shortfall towards the end of the end of the programme in 2024.
75. Rotherhithe New Road and works at Balfour Street are now complete.
76. 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.

77. Works under the school expansion programme were brought forward to take advantage of the schools being closed during lockdown allowing the programme to complete on target.
78. The Southwark School Streets programme has delivered well against the council plan target (31 completions against a target of 30) with a 6% saving. Saving to be carried forward to next financial year as contingency.
79. Cycle Hangers programme was delayed by a move to map based orders that required a standstill on order making in February resulting in reduced delivery in the short term, as such final outturn was substantially down on forecast. Underspend to be carried forward to next financial year with delivery being accelerated to ensure council plan target for coming year is achieved.
80. St Saviour's Footbridge is now substantially complete within budget and no further costs expected from this capital budget.
81. Cox's Walk footbridge works have been delayed and the scheme is being reviewed.
82. For Cleaner Greener Safer (CGS) the five Multi Ward forum meetings were completed by March 2021 and for the 2021/22 financial year CGS funding was allocated to 164 new projects and 68 grants.
83. As of 1 May 2021 CGS has 390 active projects and 157 grants. The team's ability to deliver is still compromised because of COVID-19.
84. Despite completing 156 projects in 2020-21 there is still a slight backlog.

Flood Prevention

85. Coleman Road Flood Alleviation project substantially completed in 2018/19, additional works were undertaken in 2019-20. Final invoice has now been agreed and presented for payment in April 2021. Work is ongoing across the borough as planned to replace dysfunctional gullies.
86. 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 4th 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 have been commissioned to undertake detailed design, with Geotechnical Investigation also

commissioned to inform detailed design. Results of the Geotechnical investigation have been received and the design process is due to be completed at the end of July 2021. A PSC contract is being drawn up to engage with the preferred contractor of the Environment Agency to undertake the civil works once the design has been completed.

Asset Management

87. The programme for Lamp column replacement on the basis of structural integrity and lantern replacement for energy consumption reduction is completed as planned. Planned LED lantern renewals are completed and structural failures have been replaced. Structural and electrical testing has taken place for full programme.
88. Electric Vehicle lamp post chargers – The planned programme of 100 charge points is completed.

Parks and Leisure

89. Expenditure across the Parks and Leisure Capital Programme in 2020-21 has been affected by programme delays due to COVID – 19. However, despite an initial disruption, the programme has recovered pace and several projects were progressed to construction phase and/or completion this year
 - Leathermarket Gardens completed August 2020
 - Newington Gardens completed October 2020
 - Area Z completed January 2021
 - Nunhead East Lodge – Phase 1 completed March 2021
 - Lock Gate completed March 2021
 - Southwark Park Sports and Athletics Centre started construction in October 2020
 - Dickens Fields started construction in December 2020.
90. At the end of 2019-21 the forecasted spend for 2020-21 was £15m
91. This figure was adjusted to £10.5m in April 2020 to take account of anticipated delay in several project including two particularly high value projects:
 - Burgess Park Sports Hub – in response to public concerns, adjustments have been made to the final design requiring planning amendment
 - Dickens Square delay in completing procurement process during the first lockdown .
92. The final spend in Parks and Leisure Capital Programme for 2020-21 was £7.7m an underspend of just under £3m.

93. This is partly due to a delay in receiving the final invoices for Walworth Library project, and further programme delays experienced as a result of covid impacts at Cossall, Little Dorrit and Pelier Parks.
94. **Cemeteries:** Construction work at Area Z completed in January. Phase 14 works to partially dismantle and re-stabilise the building at Nunhead Cemetery East Lodge have also completed. Architectural designs for phase 2 are in pre-planning advice. Works to install new welfare facilities for ground workers at Camberwell New Cemetery began in January and will complete in June 2021. The total spend in cemeteries for 2020-21 is £1.4m.
95. **Marina Investment:** The construction contract to replace the lock gates achieved practical completions in March 2021 resulting in a total spend of £750k in 2020-21. Residual works to the repair the control panel will completed in 2021-22.
96. **Leisure Investment: Southwark Athletics Centre** construction is underway with a project spend of £968k in 2020-21. There is a £150k underspend against the forecast budget due to programme delay.

Culture

97. Southwark Heritage Centre and Walworth Library project opened on 19 April 2021. The project is currently on budget and final account will be completed in quarter 2 in 2021-22. Some minor snagging issues are still being dealt with and should be completed by June.
98. Library infrastructure & IT projects - Rollout & implementation of new RFID self service kiosks was delayed due to Covid19. This is now expected to be completed by early autumn 2021. The refresh of the public PCs is due to complete in 2021-22 however there have been some delays in starting this project due to Covid – revised milestones are being confirmed with the supplier.

Regulatory Services

99. The 2 year FTC air quality projects officer post has been filled and the projects that post will enable are now underway. A Gateway 1 for the spend on the Authority's large boiler plant emissions testing is currently being coordinated, the electric cars have been ordered, the car free days programme is being arranged and all other projects covered by the capital bid are now ramping up for delivery. The Air Quality Awareness comms campaign has not moved forward due to pressures in the Comms team due to the C-19 pandemic.

HOUSING AND MODERNISATION

Housing General Fund

100. The total value of the Housing and Modernisation general fund capital programme for the ten years to 2029-30 is circa £79m 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 £11.9m, around £0.2m lower than previously forecast, which took into account the impact of Covid-19. The nature of capital investment means that the complexity and inter-dependencies with other work streams can lead to some slippage as is the case this year and re-profiling in order to deliver optimum service outcomes and best value. The key headlines are outlined below.

Modernise – Corporate Facilities Management (CFM)

101. The CFM programme enables the council to meet its statutory responsibilities for ensuring its operational buildings are compliant with health and safety regulations and ensure the wellbeing of its employees and service users. This is achieved through a comprehensive inspection and assessment regime and building lifecycle maintenance programme designed to enhance their life and maintain asset value. Notwithstanding the restrictions arising from the pandemic, substantial progress has been made by taking advantage in some instances of key buildings being largely unoccupied, enabling works to be undertaken more efficiently and safely. The service delivered corporate investment in 2020-21 of £3.1m, plus a further £1.5m on projects to departmental clients who hold the budgets.

Modernise – Queens Road 4

102. 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 accommodation requirements post Covid-19. Spend this year was limited to a residual £0.4m and the project has been removed from the capital programme. This site will now be subsumed into the council's new homes programme for future development

Modernise – Technology and Digital Services (TDS)

103. There are a number of major projects underway and in development; not least the data centre migration to a cloud-computing environment (Azure). The critical importance of the council's IT infrastructure was demonstrated through the response to the pandemic and the focus on upgrading the

network and internet connectivity will continue. The investment of £1.9m in 2020-21 does however reflect the necessary re-prioritisation to delivery of the smart working programme detailed below.

Modernise – Smart Working Programme

104. 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 year was particularly poignant as the acceleration of this programme in response to Covid-19 saw £5m of investment in remote working technology needed to ensure services could be maintained. While this work will continue in the short term, it will be subsumed into the wider IT investment programme.

Asset Management – Housing Renewal

105. 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.
106. Due to the pandemic the council had to put on hold works across all tenures in line with Government guidance. However, specific measures were put in place to ensure the service could respond to emergency requests for clients with life-limiting conditions or to support hospital discharge cases. Total spend in 2020-21 was still £1m and unspent funding will be rolled forward to accommodate an enhanced programme in 2021-22.

Resident Services – Traveller Sites

107. The programme of reconfiguration and improvement works to address health and safety and compliance issues (principally fire safety) across all travellers' sites is due to complete this year. However, delays due to the pandemic have resulted in additional costs, namely prolonged temporary re-housing, storage of mobile homes and residents belongings and enhanced safety works identified as the project progressed. Planned works at the Brideale and Burnhill sites are subject to review and will be reported to Cabinet at a later date. While spend in 2020-21 was £0.4m, the council had previously secured grant funding of £1.738m from the Greater London Authority (GLA) towards the cost of this works programme.

HOUSING INVESTMENT PROGRAMME (HIP)

108. Overall, HIP spend during 2020-21 was £215.4m, comprising £70.9m on existing stock, £132.3m on new council homes including £8.9m for acquisitions and site assembly costs and £12.2m on wider regeneration schemes. Funding for the programme comprises, Major Repairs Reserve (MRR) and revenue contributions £75.4m, external grant funding £33.5m, s106 developer contributions £39.5m, RTB and other capital receipts £10.9m and new borrowing £56.1m (total £215.4m).
109. The long-term investment programme is currently under review and over the coming months will see significant change to that presented at this juncture as the council responds to the unprecedented investment challenges that it faces, particularly in relation to new and emerging building and fire safety requirements, the heat network, the redevelopments at Aylesbury, Ledbury and Tustin, and the council's carbon neutrality commitments. The scale of investment needed is immense and will require significant borrowing, and the council must ensure that the revenue financing costs arising from it remain affordable to the HRA over the long-term without adversely impacting day to service delivery. The reviews being undertaken now will help to ensure the HIP can be delivered in line with resource availability and affordability.

Quality Homes Investment Programme (QHIP)

110. 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). Spend in 2020-21 was £51.8m. Due to pandemic restrictions, internal works, including the kitchens and bathrooms programme, were not carried out, with the focus on external works and district heating infrastructure. A re-profiling of the QHIP, to take into account new legislative demands around building and fire safety, is currently being undertaken and will be presented to Cabinet in summer 2021.

Heat Network Strategy

111. 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 around £350m over forty years would be required to address the situation. However, this estimate is now likely to be substantial light of the investment required to deliver a modern heating network that also makes a significant contribution to carbon reduction. A Heat Networks Strategy paper will be presented to Cabinet alongside the Asset Management Strategy in summer 2021. The council's first residential heat pump scheme at Consort, Wyndham and Comber started during 2020 and is expected to complete in autumn 2021.

Special Schemes (High Needs)

112. 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. £6.7m was spent in 2020-21, with £16.8m earmarked for 2021-22. However, programme resources will need to increase significantly as schemes such as the Tustin estate low-rise and Ledbury Towers are progressed and brought into the mainstream HIP.

Other Programme Schemes

113. The remainder of the main programme covers a wide range of schemes, with spend of £6.9m in 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

114. The council aims to deliver 2,500 new council homes by 2022, with 706 having been built to date. Projects are now on site to deliver 789 new homes, with 28 schemes having received planning permission to deliver a further 1,037 new homes that will start on site or complete by 2022
115. The housing regeneration programme forms part of the wider new homes programme delivering new homes through both working in partnership with developers and direct delivery. As part of this, new homes at Copeland Road will be completed and ready for occupation this year, while direct delivery schemes Flaxyard, Wickway, the Albion Sites, Penry Street and Parkhouse Street will all be on site over the next few months, with development partnerships at Manor and Braganza, Southwark Park Road and Cherry Gardens also starting. This represents a significant shift in the regeneration programme as construction work ramps up following delays caused by Covid-19 and Brexit. Future risks remain including construction price volatility, the housing market and changes to building safety regulations and climate change.
116. Achieving the longer-term commitment to build 11,000 homes will require more land for development than is currently available and this is reflected in the HIP with resources earmarked for site assembly. 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.
117. During 2020-21, £123.6m was spent on new homes and £8.7m on site

assembly and acquisitions. In March 2021, the council entered into variation to the Development Partnership Agreement (DPA) with Notting Hill Genesis which will secure delivery of 581 new council homes on the First Development Site at the Aylesbury Estate. As part of this arrangement, the council paid £65.9m to Notting Hill Genesis to reimburse costs incurred by them in respect of this development, and which forms part of the overall £123.6m spent on new homes.

Regeneration Schemes

118. Spend on regeneration schemes for 2020-21 was £12.2m. The most significant regeneration scheme is the Aylesbury estate, which is planned in four phases. Expenditure in 2020-21 is £10.4m, of which £5.7m was for leasehold buybacks and home loss payments, £3.3m for the Approved Premises Facility and £1.4m for site related costs. 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.
119. Expenditure on phase 3 of the environmental works on the East Dulwich estate, which commenced last year, was £1.3m. 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 (£0.1m) and commercial properties (£0.1m).

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Governance

120. The council has a duty to maintain a balanced budget throughout the year and, accordingly, members are required to regularly monitor the council's financial position. Section 28 of the Local Government Act 2003 imposes a duty on the council to monitor its budgets throughout the financial year, using the same figures for reserves as were used in the original budget calculations. The council must take necessary appropriate action to deal with any deterioration in the financial position revealed by the review.
121. The capital programme satisfies the council's duty under the Local Government Act 1999 which requires it to make arrangement to secure the continuous improvement in the way its functions are exercised, by having regards to the combination of economy, efficiency and effectiveness.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Capital programme 2020-21 to 2029-30	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): https://moderngov.southwark.gov.uk/documents/s93768/Report%20Capital%20Refresh.pdf		

APPENDICES

No.	Title
Appendix A	General fund Outturn Position 2020-21 and Refresh for 2021-22 to 2029-30
Appendix B	Housing investment programme summary outturn 2020-21 and Refresh for 2021-22 to 2029-30
Appendix C	Budget virements and variations at 2020-21 outturn
Appendix D	General fund programme detail at 2020-21 outturn and Refresh for 2021-22 to 2029-30

AUDIT TRAIL

Cabinet Member	Councillor Rebecca Lury, Finance, Performance and Governance	
Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Rob Woollatt, Interim Departmental Finance Manager	
Version	Final	
Dated	7 June 2021	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law and Governance	Yes	Yes
Strategic Director for Finance and Governance.	N/a	N/a
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	7 June 2021	