

Capital Update Report**KEY DECISION NO. FCR 08****CABINET MEMBER****Philip Glanville, Mayor of Hackney****GROUP DIRECTOR****Ian Williams Finance and Corporate Resources**

1. CABINET MEMBER'S INTRODUCTION

- 1.1 This is the first report on the capital programme for 2018/19 and includes capital project approvals for Children, Adults and Community Health Services, Finance and Corporate Resources and Neighbourhoods and Housing (Non- Housing).
- 1.2 The report recommends investment in schemes which will bring real benefits to local residents and other users of Council Services.

2. GROUP DIRECTOR'S INTRODUCTION

This report updates Members on the current position of the Capital Programme and seeks spending and resource approval as required to enable officers to proceed with the delivery of those schemes as set out in section 9 of this report.

3. RECOMMENDATION(S)

- 3.1 **That the schemes for Children, Adults and Community Health Services as set out in section 9.2 be given approval as follows:**

BSF Lifecycle/Early Failure 2018/19: Virement and spend approval of £200k in 2018/19 is requested to fund the early failure and contingency allowance for emergency works across all the BSF school buildings that are not the liability of the LEP within the managed service contract.

Clapton Girls Lifecycle Works 2018/19: Virement and spend approval of £40k in 2018/19 is requested to fund the deferred maintenance and upgrade works at Clapton Girls School recommended as part of the LEP 2017 condition review of all school buildings.

- 3.2 **That the scheme for Finance and Corporate Resources as set out in section 9.3 be given approval as follows:**

Britannia Site Master Plan Costs: Spend approval of £10,032k in 2018/19 is requested to fund the master plan costs for the Britannia Site.

- 3.3 **That the scheme for Neighbourhoods and Housing (Non-Housing) as set out in section 9.4 be given approval as follows:**

Local Implementation Plan (LiP) TfL Funded – Corridors and Neighbourhoods, Local Transport fund and Liveable Neighbourhoods: Spend approval of £2,259k and resource approval of £201k in 2018/19 is requested in order to facilitate the delivery of the 2018/19 TfL funded schemes road safety programme generally focused on the principal road network where the highest concentrations of accidents occur.

- 3.4 **That the schemes outlined in section 9.5 to be noted.**

- 3.5 **That the expenditure plans and associated resources to be carried from 2017/18 to 2018/19 as set out in 9.6 and summarised below be approved:**

Directorate	2017/18 Slippage
	£'000
Chief Executive	87
Children, Adults & Community Health	3,748
Finance and Corporate Resources	(641)
Neighbourhoods	3,067
Total Non-Housing	6,261
Housing	5,219
Total Capital Expenditure	11,480

4. REASONS FOR DECISION

- 4.1 The decisions required are necessary in order that the schemes within the Council's approved Capital programme can be delivered as set out in this report.
- 4.2 In most cases, resources have already been allocated to the schemes as part of the budget setting exercise but spending approval is required in order for the scheme to proceed. Where however resources have not previously been allocated, resource approval is requested in this report.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

None.

6. BACKGROUND

6.1 Policy Context

The report to recommend the Council Budget and Council Tax for 2018/19 considered by Council on 19 February 2018 sets out the original Capital Plan for 2018/19. Subsequent update reports considered by Cabinet amend the Capital Plan for additional approved schemes and other variations as required.

6.2 Equality Impact Assessment

Equality impact assessments are carried out on individual projects and included in the relevant reports to Cabinet or Procurement Committee, as required. Such details are not repeated in this report.

6.3 Sustainability

As above.

6.4 Consultations

Relevant consultations have been carried out in respect of the projects included within this report, as required. Once again, details of such consultations would be included in the relevant detailed reports to Cabinet or Procurement Committee.

6.5 Risk Assessment

The risks associated with the schemes detailed in this report are considered in detail at individual scheme level. Primarily these will relate to the risk of the projects not being delivered on time or to budget. Such risks are however constantly monitored via the regular capital budget monitoring exercise and reported to cabinet within the Overall Financial Position reports. Specific risks outside of these will be recorded on departmental or project based risk registers as appropriate.

7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

7.1 The gross approved Capital Spending Programme for 2018/19 currently totals **£441.116m (£216.786m non-housing and £224.330m housing)**. This is funded by discretionary resources, borrowing, government grant support, capital receipts, capital reserves (mainly Major Repairs Reserve and revenue contributions) and earmarked funding from external sources.

7.2 The financial implications arising from the individual recommendations in this report are contained within the main report.

7.3 If the recommendations in this report are approved, the revised gross capital spending programme for 2018/19 will total **£452.797m (£223.248m non-housing and £229.549m housing)**.

Directorate	Revised Budget Position £'000	June 2018 Cabinet Update £'000	Slippage from 17/18 £'000	Updated Budget Position £'000
	£'000	£'000	£'000	£'000
Chief Executive's Services	0	0	87	87
Children, Adults and Community Health	52,158	0	3,748	55,906
Finance and Corporate Resources	119,465	0	-641	118,824
Neighbourhoods & Housing (Non)	45,163	201	3,067	48,431
Total Non-Housing	216,786	201	6,261	223,248
Housing	224,330	0	5,219	229,549
Total	441,116	201	11,480	452,797

8. COMMENTS OF THE DIRECTOR OF LEGAL

- 8.1 The Group Director, Finance and Corporate Resources, is the officer designated by the Council as having the statutory responsibility set out in section 151 of the Local Government Act 1972. The section 151 officer is responsible for the proper administration of the Council's financial affairs.
- 8.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:
- (i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices, and monitor compliance with them.
 - (ii) Determine the accounting records to be kept by the Council.
 - (iii) Ensure there is an appropriate framework of budgetary management and control.
 - (iv) Monitor performance against the Council's budget and advise upon the corporate financial position.
- 8.3 Under the Councils Constitution although full Council set the overall Budget it is the Cabinet that is responsible for putting the Council's policies into effect and responsible for most of the Councils' decisions. The Cabinet has to take decisions in line with the Council's overall policies and budget.
- 8.4 The recommendation in relation to BSF Lifecycle/Early Failure 2018/19 includes a Children, Adults and Community Health proposed virement. The Council's Financial Procedure Rules (FPR) paragraphs 2.7 and 2.8 cover the capital programme with 2.8 dealing with monitoring and budgetary control arrangements.
- 8.5 Paragraph 2.8.1 provides that Cabinet shall exercise control over capital spending and resources and may authorise variations to the Council's Capital Programme provided such variations: a) are within available resources b) are consistent with Council policy.

9 CAPITAL PROGRAMME 2018/19 AND FUTURE YEARS

- 9.1 This report seeks spending approval for schemes where resources have previously been allocated as part of the budget setting process, as well as additional resource and spending approvals for new schemes where required.

9.2 Children, Adults and Community Health:

- 9.2.1 **Building Schools for the Future (BSF) Lifecycle/Early Failure 2018/19:** Virement and spend approval of **£200k in 2018/19** is requested to provide early failure and contingency allowance for emergency works across all the BSF school buildings. These are reactive works which are liability of the Council because they cost over the value of £658, the amount covered by the LEP under the FM managed service contract. They are often reactive works on equipment that fail before they are due for replacement under lifecycle and therefore need immediate repair or replacement. This will ensure that all equipment in our schools is in good working condition and to the standard delivered by the BSF programme. The BSF Programme provided an environment that enhanced teaching and learning offering every student an

opportunity to improve their educational attainment. This capital project links in with the Council's 2008-2018 Sustainable Community Strategy Priority 2 'helping residents to become better qualified and raising educational aspirations. This approval will have no net impact on resources as they already forms part of the Capital Programme.

9.2.2 Clapton Girls Lifecycle Works 2018/19: Virement and spend approval of **£40k in 2018/19** is requested to fund the maintenance and upgrade works at Clapton Girls School set out as part of the LEP 2017 review. This capital works involves the upgrade of the plant room, TRV electrical and CCTV. This capital project links in with the Council's 2008-2018 Sustainable Community Strategy Priority 2 'helping residents to become better qualified and raising educational aspirations. This approval will have no net impact on resources as they already forms part of the Capital Programme.

9.3 Finance and Corporate Resources:

9.3.1 Britannia Site Master Plan Costs: Spend approval of **£10,032k in 2018/19** is requested to fund the master plan costs for the Britannia Site. In April 2017, Cabinet approved that the Britannia site would be progressed to planning, to create 6 new Forms of Entry (900 pupils) and a 200 place sixth form new secondary school, a new Council leisure centre to replace the existing facility, 80 affordable homes (60% social rent and 40% shared ownership), and up to 400 private for sale homes. This builds on our commitment to invest in providing new homes, new Council leisure facilities and provide sufficient pupil places in the Borough through the opening of the City of London Academy Shoreditch Park (CoLASP).

Cabinet was further updated on the project on 18 December 2017 and approved the procuring of contractors in two phases. Phase 1 to deliver the new school, Council leisure centre and phase 2 to deliver the residential buildings. This approval builds on the existing budget approved at Capital Update report dated 17 June 2017. It will enable the project to continue to engage the design team to progress Phase I and Phase 2a. In line with Hackney's standard requirements, contractors will be required to adopt the London Living Wage across their supply chain and to deliver employment and training opportunities through the delivery of the project.

This capital project links in with the Council's 2008-2018 Sustainable Community Strategy Priority 1 'Reducing poverty by supporting residents into sustainable employment, and promoting employment opportunities'; Priority 2 'helping residents to become better qualified and raising educational aspirations'; Priority 3 'Promoting health and wellbeing for all, supporting independent living and reducing health inequalities'; Priority 5 'Promoting mixed communities in well-designed neighbourhoods, where people can access high quality, affordable housing'; and Priority 6 'A sustainable community, where all citizens take pride in, and take care of Hackney and its environment, for future generations'. This approval will have no net impact on resources as they already forms part of the Capital Programme.

9.4 Neighbourhoods and Housing (Non):

9.4.1 Local Implementation Plan (LiP) TfL Funded – Corridors and Neighbourhoods, Local Transport fund and Liveable Neighbourhoods: Spend approval of **£2,259k**

and resource approval of **£201k in 2018/19** is requested in order to facilitate the delivery of the 2018/19 TfL funded schemes road safety programme generally focused on the principal road network where the highest concentrations of accidents occur.

Making Hackney's road safer for all road user is one of the key priorities set out in the Council's Sustainable Community Strategy and a key priority within the Hackney's Transport Strategy 2015-2025. This outlines Hackney Council's commitment towards improving walking, cycling and public transport, access to jobs, reducing obesity, supporting the local economy, improving air quality and reducing carbon emissions. The aspirations for Hackney is set an exemplar for sustainable urban living in London to transform Hackney's places and streets into the most attractive and liveable neighbourhoods in London. This approval will have no net impact on resources as it is fully grant funded.

9.5 To be noted:

9.5.1 A business case dated 4 April 2018 gave approval to increase the existing budget of the **Christopher Addison House (CAH) Phase 2** capital scheme. This follows and builds upon the preceding Phase 1 works which comprised of feasibility studies for the entire building. As a result virement and spend approval of **£300k** was approved for the refurbishment, improvements and adaptations of the ground, first, second and third floors at CAH; to facilitate the relocation of Council Services from the Annexe ground floor into CAH; and to facilitate the decant of the Annexe. This building was built between 1993-94 with very little investment on maintenance and infrastructure being undertaken to date. Many of the original mechanical and electrical services are outside of their useful working life and are in a state of disrepair. This refurbishment will bring the building into closer alignment with the quality and functional standard already prevalent in key campus buildings. The refurbishment is also an integral part of the Council's Corporate Estate Rationalisation Programme to utilise space that is required and release additional space for income generation and redevelopment opportunities.

This capital project supports the Mayor's Priorities of having "An ambitious and well-run Council that delivers high quality services, financial stability and first class-local facilities". This approval will have no net impact on resources as they already forms part of the Capital Programme.

9.5.2 A business case dated 8 August 2016 gave approval for **refurbishment costs to convert 55 Albion Grove**, a Council owned property, into a hostel. As a result a virement and spend approval of **£715k** was approved for refurbishment. The Housing Needs Service has experienced a growing number of families into temporary accommodation with an acute shortage of affordable accommodation across London. This has resulted in the increased use of more expensive nightly paid annex accommodation. The property is able, in its current size, to accommodate 20 householders in a mixture of self-contained, bedrooms with kitchens and bedsits, housing a maximum of 61 people. This refurbishment will provide additional hostel units within the borough and enable customers to be assessed for additional support at an earlier stage. This capital project links in with the Council's 2008-2018 Sustainable Community Strategy Priority 5 'Promoting mixed communities in well-designed neighbourhoods, where people can access high quality, affordable housing'.

This approval will have no net impact on resources as they already form part of the Capital Programme.

9.6 Carry Forward of Schemes from 2017/18 to 2018/19

9.6.1 Further to the outturn position reported in the March OFP to June 2018 Cabinet, the table below summaries the proposed carry forward to 2018/19 of £11,480k in respect of overall slippage against the 2018/19 capital programme with a detailed scheme analysis provided in **Appendix 1**.

Directorate	2017/18 Slippage £'000
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APPENDICES

One.

BACKGROUND PAPERS

In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required.

None.

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