

Capital Update Report

KEY DECISION NO. FCR F11

CABINET MEETING DATE

17 September 2018

CLASSIFICATION:

Open

If exempt, the reason will be listed in the main body of this report.

WARD(S) AFFECTED

All

CABINET MEMBER

Philip Glanville, Mayor of Hackney

KEY DECISION

Yes

REASON

Spending or Savings

GROUP DIRECTOR

Ian Williams, Group Director of Finance and Resources

1. CABINET MEMBER'S INTRODUCTION

- 1.1 This report on the capital programme for 2018/19 updates members on our capital programme agreed in the 2018/19 budget, and includes capital project approvals for Children, Adults & Community Health Services, Neighbourhood & Housing and Finance & Corporate Resources.
- 1.2 The report recommends investment worth £60k into the Median Road Resources Centre for a feasibility study, with a view to transform it into a new facility. This study will look at options for scoping a new facility which will provide interim care services, intermediate care services and residential nursing care services.
- 1.3 Recognising the value that small-businesses bring to Hackney, and Hackney Wicks unique position as a hub of creative small-businesses that should be protected, the report also recommends landlord works to fully utilise the Old Baths and Trowbridge Centre in Hackney Wick. We want to ensure that the opportunities created by Hackney's growing and changing economy are available to all, and these works will help achieve that by creating affordable and decent workspaces for small and at-risk businesses for a seven year period.
- 1.4 In exchange, operators in the Centre will be required to invest in new activities and programmes for the area, including targeting local youth and residents with events, mentoring, training and work experience. This will take place alongside the operators generating local jobs, and part of our commitment to maximising opportunities for jobs and training for local people. It shows we are acting on our manifesto commitment - businesses investing in Hackney's future alongside the Council, ensuring everyone in the borough plays their part in creating real opportunities.
- 1.5 The report also recommends for approval the use of £1.116m of S106 resource showing how the whole borough benefits from responsible growth and development. These investments will bring new resources and new spaces - helping vulnerable residents and small businesses - contributing to our vision for a Hackney that works for everyone.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1 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 & Community Health Services as set out in section 9.2 be given approval as follows:**

Median Road Feasibility: Spend approval of **£60k in 2018/19** is requested to fund a feasibility study of Median Road resource centre. This study will look at

options for scoping a new facility which will provides interim care services, intermediate care services and residential nursing care accommodation.

3.2 That the schemes for Finance & Corporate Resources as set out in section 9.3 be given approval as follows:

Hackney Learning Trust (HLT) Re-stack: Virement and spend approval of **£158k in 2018/19** is requested to facilitate the re-stacking of the Hackney Technology & Learning Centre at 1 Reading Lane, London, E8 1GQ to increase the occupancy capacity.

Landlord Works at 80 and 80a Eastway and Trowbridge Centre - GLA Funded: Resource and spend approval of **£450k in 2018/19** is requested to fund landlord works for 80 and 80a Eastway and Trowbridge Centre, enabling utilisation of the space as affordable workspace as well as other public realm improvements.

3.3 That the schemes for Neighbourhood and Housing as set out in section 9.4 be given approval as follows:

81 Downham Road site on the De Beauvoir Estate: Spend approval is requested in 2018/19 in order to implement the delivery of this scheme via the Housing Supply Programme (HSP) in accordance with the 29 February 2016 Cabinet approval and recommendations of the Housing Development Board.

3.4 That the S106 schemes as set out in section 9.5 and summarised below be given resource and spending approval as follows:

S106	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total
	£'000	£'000	£'000	£'000	£'000
Capital	201	100	100	714	1,116
Total S106 Resource and Spend approvals	201	100	100	714	1,116

3.5 That the capital programme adjustments summarised below set out in detailed in para 9.6 be approved accordingly:

SUMMARY 2018/19 CAPITAL ADJUSTMENTS			
Directorate	Budget 2018/19	Change 2018/19	Updated 2018/19
	£'000	£'000	£'000
Non-Housing	11,040	(1,837)	9,203
Housing	228,477	-	228,477
Total	239,517	(1,837)	237,680

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 £453.344m (£223.794m non-housing and £229.549m 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 **£452.157m (£222.608m non-housing and £229.549m housing)**.

Directorate	Revised Budget Position	Sept 2018 Cabinet Update	Capital Adjustments 2018/19	Updated Budget Position
	£'000	£'000	£'001	£'000
Chief Executive's Services	87	0	0	87
Children, Adults and Community Health	55,906	0	-1,798	54,108
Finance and Corporate Resources	119,370	450	-40	119,781
Neighbourhoods & Housing (Non)	48,431	201	0	48,633
Total Non-Housing	223,794	651	-1,837	222,608
Housing	229,549	0	0	229,549
Total	453,344	651	-1,837	452,157

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 recommendations include requests for spending approvals. 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.
- 8.6 With regard to recommendation 3.4 and paragraph 9.5 where Cabinet is being invited to approve the allocation of monies from agreements under section 106 of the Town and Country Planning Act 1990, s.106 permits anyone with an interest in land to enter into a planning obligation enforceable by the local planning authority. Planning obligations are private agreements intended to make acceptable developments which would otherwise be unacceptable in planning terms. They may prescribe the nature of the development (for example by requiring that a percentage of the development is for affordable housing), secure a contribution to compensate for the loss or damage created by the development or they may mitigate the development's impact. Local authorities must have regard to Regulation 122 of the Community Infrastructure Levy Regulations 2010. Regulation 122 enshrines in legislation for the first time the legal test that planning obligations must meet. Hackney Council approved the Planning Contributions Supplementary Planning Document on 25 November 2015 under which contributions are secured under S106 agreements. Once completed S.106 agreements are legally binding contracts. This means that any monies which are the subject of the Agreement can only be expended in accordance with the terms of the Agreement.

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 Services:

- 9.2.1 **Median Road Feasibility:** Spend approval of **£60k in 2018/19** is requested to fund a feasibility study of Median Road resource centre. The approval is requested to fund the first phase development of concept designs for the Median Road Resource Centre covering architect, engineering and cost consultancy fees. This will lead to a business case setting out the range of options, and the recommended approach for a more extensive capital project. This links in with the Council's 2018-2028 Sustainable Community Strategy Priority 5 'A borough with healthy, active and independent residents. This approval will have no net impact as the resources already form part of the capital programme in 2018/19.

9.3 Finance and Corporate Resources:

9.3.1 **Hackney Learning Trust (HLT) Re-stack:** Virement and spend approval of **£158k in 2018/19** is requested to facilitate the re-stacking of the Hackney Technology & Learning Centre at 1 Reading Lane, to increase the occupancy capacity. This will involve the decanting of 70 staff members from the Annexe in 2 Hillman Street to the HLT. This project is a key element within the Corporate Estate Rationalisation (CER) Programme to meet the Capital Investment Strategy objectives to maintain the Council's assets to a high standard and to make Hackney a great place to work. The work is in line with the Mayor's Priority 2: "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 as the resources already form part of the capital programme in 2018/19.

9.3.2 **Works at 80 and 80a Eastway and Trowbridge Centre - GLA Funded:** Resource and spend approval of **£450k in 2018/19** is requested to fund works for 80 and 80a Eastway and Trowbridge Centre. This follows and builds upon the preceding budget and proposal agreed in January 2018 Cabinet to bring these council owned assets back into use for affordable workspace. Regeneration and Property submitted an application for grant funding to Greater London Authority (GLA) to enhance the existing proposal and deliver more workspace and community activities in the exterior space around the buildings. The bid was successful and the Council has accepted the terms and conditions of the GLA grant.

This capital scheme will enhance the Council's existing plans to repurpose the Old Baths and the Trowbridge Centre as affordable decant workspace for at risk businesses from Hackney Wick for a seven year period which will also generate additional income for the Council as the buildings are currently not maximising their economic or social potential. 1,750 sq.m. of floor space at the Old Baths and Trowbridge centre will be refurbished and let to local workspace providers at a reduced rent in exchange for a range of socio-economic benefits to be offered by the tenants including providing local jobs, apprenticeship, work experience and training opportunities, mentoring, and classes and community events all of which will be offered to the local community. The project will also deliver improvements to public realm in the exterior areas of the buildings, new refurbished multi-use games area, and recording studio equipment for community use. This approval will have no net impact as the resources are fully met by grant.

9.4 Neighbourhood & Housing Services (Housing):

9.4.1 The Housing Development Board dated 17 August 2017 considered and recommended the delivery of the **81 Downham Road site on the De Beauvoir Estate** through the Housing Supply Programme (HSP) in accordance with the 29 February 2016 Cabinet approval. Back in February 2016 Cabinet authorised delivery of the HSP to provide new mixed tenure homes on previously developed land within existing council housing estates. The development pipeline was estimated to deliver around 400 new build homes on 11 sites across the borough. Spend and virement approval in 2018/19 is required in order to implement this recommendation.

Financial viability and planning compliance will be managed and achieved across the portfolio of HSP projects. Design and procurement work is progressing well on the first tranche of sites, in line with the agreed programme delivery approach. The redevelopment of the site could potentially deliver a scheme of 64 new homes and approximately 900 square metres of replacement commercial space. This capital project helps to achieve the first priority of the Council's Housing Strategy 2017-22 – to build high quality, well-designed, and genuinely affordable new homes. With around 13,000 families on the Council's waiting list, Hackney is building thousands of Council homes itself to help more residents find a genuinely affordable place to live. This project will build on this track record. This approval will have no net impact as the resources already form part of the capital programme.

9.5 S106 Capital Approvals:

9.5.1 Resource and spending approval is requested for **£1,116k (£201k in 2018/19, £100k in 2019/20, £100k in 2020/21 and £714k in 2021/22)** in respect of the project detailed below, to be financed by S106 contributions. The works to be carried out are in accordance with the terms of the appropriate S106 agreement.

Planning Site No.	Project Description	Agreement Development Site	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total
2010/2596	Pembury Circus Improvement Works (0029-17)	Pembury Circus Development	100	100	100	714	1,014
2016/1349	Highway Works at 131 & 133 Lower Clapton Road (0001-18)	131-133 Lower Clapton Road London E5 0NP	14	0	0	0	14
2016/2017	Highway Works at Kingsland Fire Station (0002-18)	Former Kingsland Fire Station, 333 Kingsland Rd. E8 4DR	72	0	0	0	72
2010/0557	Highway Works at 32 Homerton Row (0003-18)	32 Homerton Row, London E9 6EA	15	0	0	0	15
Total Capital S106 Approvals			201	100	100	714	1,116

9.6 Capital Programme Adjustments:

9.6.1 Capital Programme adjustments are requested in order to adjust and reappropriate the 2018/19 approved budgets to better reflect project delivery of the anticipated programme. The full details for the required changes are set out in the table below.

CAPITAL ADJUSTMENTS			
Scheme	Budget 2018/19	Change 18/19	Updated 18/19
Children, Adults & Community Health	£	£	£
Betty Layward AMP	166,050	(31,567)	134,483
Grasmere AMP	-	31,950	31,950
London Fields AMP	9,580	(383)	9,197
Shacklewell Boundary Wall	7,572	(1)	7,571

Ickburgh AMP	(0)	1	1
DFC Holding Code	108,944	(108,944)	-
Betty Layward School Early Yrs	910,000	(900,000)	10,000
Comet Nursery School Early Yrs	626,000	(626,000)	-
Short Breaks	92,286	(92,286)	-
The Edge Youth Spoke Flooring	73,181	(73,181)	-
Sir Thomas Abney 14/15	106,142	(106,142)	-
Southwold Primary School	24,936	2,546	27,482
Queensbridge Expansion	15,556	(15,556)	-
East Wick 3FE	-	167,000	167,000
Grazebrook Primary Expansion	28,077	(28,077)	-
Brook Caretakers House	56,975	(46,975)	10,000
Primary Capital Prog 13/14	1,953,000	(78,939)	1,874,061
BSF Whole Life Costing	181,934	92,526	274,460
Stoke Newington BSF Life Cycle	135,070	(55,384)	79,686
Clapton Girls BSF Life Cycle	160,311	20,000	180,311
Haggeston BSF Life Cycle 14/15	6,148	(6,148)	-
Urswick School Lifecycle	-	13,950	13,950
Haggeston School Lifecycle	329,724	(222,228)	107,496
Haggerston Science Laboratory	1,200,000	266,228	1,466,228
Total CACH	6,191,486	(1,797,609)	4,393,877
Finance & Corporate Resources	£	£	£
Acquisition of building for FLIP	38,684	(33,000)	5,684
Lea Interchange Acc Scheme	6,754	(6,754)	-
22 Dalston Lane	17,000	(17,000)	-
Clapton Common former toilet refurb	200,793	17,000	217,793
Total F&CR	263,231	(39,754)	223,477
Neighbourhoods & Housing (Non-Hsg)	£	£	£
Library Management System	50,000	20,000	70,000
Library Capital Works	1,109,170	(20,000)	1,089,170
Springfield Park Restoration	2,570,389	200,000	2,770,389
Parks Strategy - Infrastructure	855,847	(200,000)	655,847
Total N&H	4,585,406	-	4,585,406

Housing	£	£	£
Housing Asset Mgmt Programme	74,188,000	(74,188,000)	-
HiPs North West	3,395,438	18,055,500	21,450,938
HiPs Central	-	13,300,000	13,300,000
HiPs South West	-	12,300,000	12,300,000
Estate Lighting	-	500,000	500,000
Ventilation Systems	-	200,000	200,000
CCTV upgrade	-	700,000	700,000
Door Entry System Replacements	-	500,000	500,000
Drainage	-	100,000	100,000
Lifts Major Components	-	350,000	350,000
Dom Boiler Replace/Cen Heating	-	2,000,000	2,000,000
Replace Play Equipment	-	100,000	100,000
Road & Footpath Renewals	-	400,000	400,000
Void Re-Servicing	-	2,000,000	2,000,000
Water Mains/Boosters	-	100,000	100,000
Disabled Adaptations	-	900,000	900,000
H & S and Major Replacement	-	250,000	250,000
Community Halls Maj. Reps/DDA	-	400,000	400,000
Lift Renewals	-	500,000	500,000
Integrated Housing Manage System	-	1,000,000	1,000,000
Boiler House Major Works	-	400,000	400,000
Fire Risk Works	3,228,501	4,771,500	8,000,001
Planned & Reactive Water Mains	-	100,000	100,000
High Value Repairs/Imp & Work	-	2,000,000	2,000,000
Lightning Conductors	-	300,000	300,000
Estate Boundary Security Imp	-	100,000	100,000
Garage Review	-	200,000	200,000
Capitalised Salaries	-	5,000,000	5,000,000
Lateral Mains	-	400,000	400,000
Re-wire	-	500,000	500,000
Green initiatives	-	2,000,000	2,000,000
Cycle Facilities	-	100,000	100,000
Contingency PM	-	3,000,000	3,000,000
District Heating System	-	1,000,000	1,000,000
One Touch HRA Stock Survey	-	61,000	61,000
Commercial Properties	-	200,000	200,000
Recycling Scheme	-	400,000	400,000
Housing Needs Allocation Non HRA	1,500,000	(1,315,000)	185,000
B/wide Housing under occupation	-	690,000	690,000
Fresh Start Scheme	-	10,000	10,000
Hostels - Major Repairs	185,511	615,000	800,511
Disabled Facilities Grant	54,648	1,300,000	1,354,648
General repairs grant (GRG)	54,555	150,000	204,555
Warmth & security grant (WSG)	106,068	100,000	206,068
Private Sector Housing Schemes	2,230,000	(1,550,000)	680,000
Estate Regeneration Programme	99,527,000	(63,665,000)	35,862,000
Estate Renewal Implementation	-	2,000,000	2,000,000
Bridge House Phase 2	-	13,000,000	13,000,000
ER1 Rendlesham House	-	50,000	50,000
ER1 Tower Court	-	6,000,000	6,000,000
Kings Crescent Phase 1+2	-	50,000	50,000

Kings Crescent Phase 3+4	-	2,500,000	2,500,000
Colville Phase 2	-	12,500,000	12,500,000
Colville Phase 1 (Bridport)	-	55,000	55,000
ER1 Colville phase 3	-	1,000,000	1,000,000
St Leonard's Court	-	8,000,000	8,000,000
Frampton Park Regeneration	-	3,000,000	3,000,000
Aikin Court	-	900,000	900,000
Great Eastern Building	-	120,000	120,000
King Edwards Road	-	1,000,000	1,000,000
Nightingale	-	2,000,000	2,000,000
Bridge House Garages	-	10,000	10,000
ER1 Ottaway Court	-	50,000	50,000
Alexandra National	-	20,000	20,000
Marian Court Phase 3	342,386	3,500,000	3,842,386
Haggerston West	-	10,000	10,000
Colville Phase 2C	-	3,100,000	3,100,000
Housing Supply Programme	31,035,996	(15,129,500)	15,906,496
Gooch House	203,483	100,000	303,483
Whiston Road	12,233	286,500	298,733
Shaftesbury Street	-	591,000	591,000
Wimbourne Street	240,359	1,282,000	1,522,359
Buckland Street	391,500	1,200,000	1,591,500
Murray Grove	19,814	2,000,000	2,019,814
Downham Road 1	32,458	135,000	167,458
Downham Road 2	71,523	207,500	279,023
Balmes Road	79,950	465,000	544,950
Pedro Street	20,334	645,500	665,834
Mandeville Street	33,722	1,250,000	1,283,722
Woolridge Way	12,662	257,000	269,662
Lincoln Court	67,575	295,000	362,575
Rose Lipman Project	6,129	5,245,000	5,251,129
81 Downham Road	67,338	500,000	567,338
Lyttelton House	-	4,800,000	4,800,000
Daubeney Road	102,607	670,000	772,607
Woodberry Down Bid	11,267,528	(7,585,000)	3,682,528
Kick Start Programme	-	1,000	1,000
Stock Transfer to HA	-	1,000	1,000
Other Heads	-	900,000	900,000
Phase2 & Other Heads	-	6,500,000	6,500,000
Woodberry Works/Construct Training	-	60,000	60,000
Woodberry Down Security	-	1,000	1,000
Woodberry Down Phase 2-5	-	100,000	100,000
Woodberry Down Tenancy Agree	-	1,000	1,000
Woodberry Down Kickstart	-	20,000	20,000
Frampton Park Community Hall	-	1,000	1,000
Total Housing	228,477,321	-	228,477,321
	-	-	-
Total Capital Adjustments	239,517,443	(1,837,363)	237,680,080

APPENDICES

None.

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.

Report Author	Samantha Lewis, Senior Accountant 020 8356 2612 Samantha.lewis@hackney.gov.uk
Comments of the Group Director of Finance and Corporate Resources	Michael Honeysett, AD Financial Management 020 8356 3332, Michael.honeysett@hackney.gov.uk
Comments on behalf of the Director of Legal	Dawn Carter-McDonald, Deputy Monitoring Officer, Interim Head of Litigation and Commercial 020 8356 4817 dawn.carter-mcdonald@hackney.gov.uk