

CAPITAL EXTRACT FROM THE OVERALL FINANCIAL PERFORMANCE REPORT

CABINET: NOVEMBER 2019

4.7 Capital

This is the second OFP Capital Programme monitoring report for the financial year 2019-20. The actual year to date capital expenditure for the six months April 2019 to Sept 2019 is £58.6m and the forecast is currently £270.3m, £87.7m below the revised budget of £358m. In each financial year, two re-profiling exercises within the capital programme are carried out in order that the budgets and therefore monitoring reflect the anticipated progress of schemes. The first phase of re-profiling for 2019-20 has been completed and November Cabinet will be asked to approve a total of £86.7m transferred into future years. A summary of the outturn by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 Summary of the Capital

Table 1 – London Borough of Hackney Capital Programme – Q2 2019-20	Revised Budget Position	Spend as at the end of Q2	Forecast	Variance (Under/Over)	To be Re- profiled Phase 1
	£'000	£'000	£'000	£'000	£'000
Children, Adults & Community Health	28,250	2,703	13,952	(14,298)	13,771
Finance & Corporate Resources	118,919	26,448	96,423	(22,496)	23,451
Neighbourhoods & Housing (Non)	39,566	2,895	31,469	(8,096)	6,696
Total Non-Housing	186,734	32,046	141,844	(44,890)	43,918
AMP Capital Schemes HRA	87,936	9,536	69,608	(18,328)	17,857
Council Capital Schemes GF	797	545	2,535	1,738	(244)
Private Sector Housing	2,717	591	1,695	(1,023)	0
Estate Renewal	59,669	11,542	34,665	(25,005)	25,005
Housing Supply Programme	16,922	593	8,289	(8,634)	8,634
Other Council Regeneration	3,197	3,712	11,665	8,467	(8,467)
Total Housing	171,239	26,519	128,455	(42,784)	42,784
Total Capital Expenditure	357,973	58,565	270,299	(87,674)	86,702

CHILDREN, ADULTS AND COMMUNITY HEALTH

The current forecast is £13.9m, £14.3m below the revised budget of £28.3m. More detailed commentary is outlined below.

CACH Directorate Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Adult Social Care	2,110	41	270	(1,840)
Education Asset Management Plan	6,420	961	4,477	(1,942)
Building Schools for the Future	617	(41)	161	(457)
Other Education & Children's Services	1,320	391	522	(798)
Primary School Programmes	10,029	562	6,016	(4,013)
Secondary School Programmes	7,754	789	2,505	(5,249)
TOTAL	28,250	2,703	13,952	(14,298)

Adult Social Care

The overall scheme is forecasting an underspend of £1.8m against the budget of £2.1m. The main variance relates to the budget set aside for the Median Road Refurbishment programme. The feasibility study for Median Road is concluded and we are awaiting the full business case, therefore, the remaining variance will be re-profiled to 2020-21. This capital project is the Council's proposal to transform the current configured Median Road Resource Centre into a new facility which provides interim care services, intermediate care services and residential nursing care accommodation to adults with learning disabilities.

Education Asset Management Plan

The overall scheme is forecasting an underspend of £1.9m against a budget of £6.4m. The budget has been reviewed and no further capital works have been identified for 2019-20, therefore, the variance will re-profiled to future years to support works that take place in that period. Shoreditch Park School AMP is forecasting an overspend of £0.9m against a budget of £1.1m. The proposals for improving facilities at Shoreditch Park Primary School continue to be developed and, as such, the budget for funding these has been revisited as proposals are firmed up. This has meant that required budgets have to be increased where the final specifications have increased over the initial estimate. This includes the refurbishment of an area of road into a playground which will need additional expenditure but the variance will be covered by underspends in other schemes.

Building Schools for the Future

The overall scheme is forecasting a minor underspend against budget of £0.6m. Mossbourne Victoria Park Academy is complete and on target to pay final

accounts. Stormont House School SEN is complete, but the final accounts are being contested therefore the variance has been reprofiled to 2020-21.

Primary School Programmes

The overall Primary School Programme 2019/20 is forecasting an underspend of £4m against the budget of £10.1m. The main scheme relates to Phase 3A of the rolling programme of health and safety remedial works to facades of 23 London School Board (LSB) schools that began in 2017. There was a delay in agreeing the scope of work for a number of the Schools. This led to the tranche of work slipping. This scope has now been prepared and issued to School Heads. The consultants are currently in the process of completing the phasing, programme and segregation requirements and have commenced developing detailed designs and producing tender documents. The programme sets contractor appointment/mobilisation period between January 2020 and March 2020, hence the variance. Approximately 20% of the budget has been profiled towards initial mobilisation costs. The variance has been reprofiled to future years to reflect programme construction start date.

Secondary School Programmes

The overall scheme is forecasting an underspend of £5.2m against the budget of £7.8m. This largely relates to Urswick School Expansion which is reporting an underspend of £3.9m. At Q1 the capital project was put on hold as the contractor went into liquidation. A new contractor will be procured but we are hopeful that as we have the majority of drawn information and surveys undertaken by the previous contractor, that the project can start with immediate effect. The project is running 6-8 months behind schedule. We expect to still deliver the scheme for the original budget that has been set aside and will use the Education Funding Agency (EFA) framework to deliver the project. As the construction is now planned for next year, the variance has been re-profiled to 2020-21 to recognise this change.

July 2019 Cabinet approved the £1.2m budget for the refurbishment of the Drama Theatre and associated ancillary spaces at Stoke Newington School. The scheme has been reviewed and the spend of the scheme is lower than anticipated for 2019-20. The variance has been reprofiled to next year to reflect the actual spend for the works identified.

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £96.4m, £22.5m under the revised budget of £118.9m. More detailed commentary is outlined below.

	£000	£000	£000	£000
Property Services	13,447	600	11,274	(2,173)
ICT	7,818	1,894	5,805	(2,013)
Financial Management	929	(3)	374	(555)
Other Schemes	385	0	341	(45)
Mixed Use Development	96,339	23,957	78,629	(17,710)
TOTAL	118,919	26,448	96,423	(22,496)

Strategic Properties Services

The overall scheme is forecasting an underspend of £2.2m against the budget of £13.4m. The main variance relates to the refurbishment of the Council Office building Christopher Addison House which is forecasting an underspend of £1m. The tendering process has commenced to procure the main contractor but is taking a little longer than expected. The variance has been re-profiled to 2020-21 to reflect this change.

ICT Capital

The overall ICT scheme 2019-20 is forecasting an underspend of £2.2m against the budget of £7.8m. This variance will be used to support future capital schemes and has been re-profiled to 2020-21. The rolling programme of the End-user and Meeting Room Device Refresh is on target for the anticipated spend of £2.2m. The project was expected to be complete by the end of October but there are still a few Council staff buildings that need to change to Chrome devices. The building occupied by Council's Parking Department has on-going construction. There is also an issue with changing the Council's Legal Team devices as their legal system (IKEN) only operates on a Microsoft Windows machine and not VDI. ICT are working to transfer this software to VDI before transferring them onto chrome devices.

Mixed Use Developments

Tiger Way is forecasting to come in line with the budget of £7.3m. The sales of apartments have commenced. The facilities management contractor Pinnacle is delivering full services, ManCo is trading as the building management company and the residential project has evolved from 'building site' to occupied housing. The void charges are now being claimed by the Otto Management company and this has been reflected in the total planned expenditure. Currently we are holding circa £2m of retention and milestones against the whole job.

With the release of the residential phase the defect reporting process has grown to now also include the 89 apartments. The variance has been reprofiled to support the retention payments.

Nile Street is forecasting an underspend of £0.9m against the budget of £32.3m. New Regents College have settled into their new teaching term at the new site on Nile Street. The old site at Ickburgh Road has been vacated and passed back to the Council's Education Property Team. The external works to the eastern playground KS2/4 of the PRU were handed over as planned. The Nile Street residential block (NSB) was due to complete in June 2019 but is currently 3 months behind on contract programme. Part of the recent delay is linked to a leak that occurred in one of the apartments that affected both its neighbouring apartments and some technical issues with the Duplex apartments on level 5. Mitigation strategies have been followed by the Contractor (MCL) and a new completion programme has been approved.

The Britannia Site is forecasting an underspend of £16.7m against the budget of £56.8m. Phase 1a (the Leisure Centre Contract) is 18 weeks into the programme. The bulk excavation works is 90% completed which includes the construction of the first section of the basement slab. Phase 1b (the School contract) is 14 weeks into the programme. The sheet piling works are completed, and the bulk excavation is now 90% complete. September 2019 Cabinet gave approval to commence the procurement of the main contractor for Phase 2a site Residential Project. This represents an opportunity to complete the affordable housing element of the Britannia Master Plan as well as delivering a new Early Years Centre. This has been passed to the Council's Housing Regeneration Team to manage the construction phase. The variance has been re-profiled to 2020-21 to reflect the actual spend of the works.

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £31.5m, £8.1m under the revised budget of £39.6m. More detailed commentary is outlined below.

N&H – Non-Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
Museums and Libraries	908	63	528	(380)
Leisure Centres	750	0	750	0
Parks and Open Spaces	8,229	249	3,820	(4,409)

Infrastructure Programmes	12,920	2,250	12,329	(591)
EHPC Schemes	8,953	0	7,742	(1,211)
TFL	3,727	278	2,462	(1,266)
Parking and Market Schemes	373	55	373	0
Other Services	900	0	900	0
Regulatory Services	79	0	79	0
Safer Communities	1,363	0	1,363	0
Regeneration	1,363	0	1,123	(240)
Total	39,566	2,895	31,469	(8,096)

Parks and Open Spaces

The overall scheme is forecasting an underspend of £4.4m against the budget of £8.2m. The main variance relates to the Springfield Park Restoration which is forecasting an underspend of £1.6m. The Contractor started on site in September 2019 to construct the buildings and the landscape work. The variance has been re-profiled to next year to reflect the actual spend for the works. July 2019 Cabinet approved resource and spend for West Reservoir Improvements to improve the leisure with the site; improve the entrances to the reservoir; improve links to the wider public realm; and to open up the banks of the reservoir for the first time. The London Wildlife Trust (LWT) will be leading the Landscape Design Team and Greenwich Leisure Limited will be responsible for managing the Reservoir on behalf of the Council. The spend in 2019-20 in the main will be on fees and design and the variance will be re-profiled to 2020-21.

EHPC Schemes

The overall scheme is forecasting a £1.2m underspend against a budget of £9m. September 2019 Cabinet gave spending approval to install Hostile Vehicle Mitigation (HVM) to 8 sites across the borough that will help mitigate the chance of the use of vehicles for attack. The spend in 2019-20 in the main will be design costs. The construction to Ridley Road Market will be in 2020-21 and the variance re-profiled to the anticipated spend.

HOUSING

The overall forecast in Housing is £128.5m, £42.8m below the revised budget of £171.2m. More detailed commentary is outlined below.

Housing Capital Forecast	Revised Budget	Spend	Forecast	Variance
	£000	£000	£000	£000
AMP Housing Schemes HRA	87,936	9,536	69,608	(18,328)
Council Schemes GF	797	545	2,535	1,738
Private Sector Housing	2,717	591	1,695	(1,023)
Estate Regeneration	59,669	11,542	34,665	(25,005)
Housing Supply Programme	16,922	593	8,289	(8,634)

Woodberry Down Regeneration	3,197	3,712	11,665	8,467
Total Housing	171,239	26,519	128,455	(42,784)

Asset Management Plan (AMP) Housing Schemes HRA

The overall scheme is forecasting an underspend of £18.3m against the budget of £87.9m. The variance mainly relates to the re-profiles and slippage from the previous financial year that were not be utilised within 2019-20. Total expenditure is close to the agreed budget for this year. Within the period there have been slight increases in spend on Commercial Properties and Commercial Vehicles, which are offset somewhat by reductions in expenditure on Drainage and Lateral Mains. The variance has been re-profiled to 2020-21.

Council Schemes GF

The overall scheme is forecasting an overspend of £1.7m against the budget of £0.8m. The variance relates to increase in spend to the fit out of 55 Albion Grove and Clapton Common, along with the ongoing expenditure on Regeneration voids which are being used as Temporary Accommodation prior to demolition, resulting in increased revenue for the HRA and a saving to the General Fund.

Private Sector Housing

The overall scheme is forecasting an underspend of £1m against the budget of £2.7m. The underspend mainly relates to a reduction in Disabled Facilities Grant expenditure.

Estate Regeneration

The overall scheme is forecasting an underspend of £25m against the budget of £59.7m. The underspend is due to a number of sites being delayed due to the procurement process. The retention on a number of sites is also due in the next financial year. It is common practice for organisations such as the Council to hold back part of the overall fee (the retention) payable to a developer until all works are finished. Often developers are required to put right minor defects or omissions (often referred to as snagging) after a development is completed and the retention is only paid to them after they have done this work. The variance has been re-profiled to 2020-21 to reflect the actual spend of the works.

Housing Supply Programme

The overall scheme is forecasting an underspend of £8.6m against the budget of £16.9m. This is largely due to a number of delays with Procurement owing

to increasing prices within the market. Spend will still be incurred in future years and the budget has therefore been re-profiled.

Woodberry Down Regeneration

The £8.4m overspend on Woodberry Down against budget is mainly due to the CPO acquisition of Happy Man Public House located on Woodberry Grove and an increase in the number of Leaseholder Buybacks. All of this expenditure will be reclaimed from Berkeley Homes. The budget from 2020-21 has been re-profiled back to current year to cover this overspend.