



<b>Capital Update Report</b> <b>KEY DECISION NO. FCR Q72</b>	
<b>CABINET MEETING DATE</b>  20 July 2020	<b>CLASSIFICATION:</b>  Open  If exempt, the reason will be listed in the main body of this report.
<b>WARD(S) AFFECTED</b>  All Wards	
<b>CABINET MEMBER</b>  Philip Glanville, Mayor of Hackney	
<b>KEY DECISION</b>  Yes  <b>REASON</b>  Spending or Savings	
<b>GROUP DIRECTOR</b>  Ian Williams Finance and Corporate Resources	

## 1. CABINET MEMBER'S INTRODUCTION

- 1.1 This report on the capital programme for 2020/21 updates members on the capital programme agreed in the 2020/21 budget.
- 1.2 Despite the continuing pressures and demands on the Council which have resulted from the ongoing Covid-19 situation, this report continues to provide investments in facilities that the residents of the borough use, and help rebuild a better Hackney.
- 1.3 To continue to meet our manifesto commitment to invest in 21st Century schools our children and young people need, this report outlines £414K that will be invested in maintaining and improving school buildings, facilities and grounds across the borough.
- 1.5 This report also confirms continued investment in the Council's Housing Companies in line with previous cabinet reports, providing the required finance to purchase 8 properties at Bridge House to then be let to residents at London Living Rents.
- 1.6 Other investments in this report build on our commitment to ensuring the recovery from the coronavirus crisis is a green recovery, by providing funding from S106 contributions for a biodiversity officer and sustainability officer.
- 1.7 I commend this report to Cabinet.

## 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.
- 2.2 It should be noted that it is intended to carry out a full review of the Council's capital programme over the summer in light of Covid-19 pressures. This will look at the schemes currently in the programme to ensure that they continue to provide value for money and meet the Council's priorities in the post Covid era.

## 3. RECOMMENDATION(S)

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

**Final Devolved Formula Capital (DFC) Allocation Capital Funding:** Resource and spend approval of **£414k in 2020/21** is requested for the allocation of the DfE grant to individual schools maintained by Hackney Council for 2020/21.

- 3.2 That the schemes for Neighbourhood and Housing (Non) as set out in section 9.3 be given approval as follows:

**Electrical Power Upgrade to 80 Eastway:** Virement and spend approval of **£100k** in **2020/21** is requested to finance the power upgrade at 80 Eastway.

- 3.3 That the S106 schemes as set out in section 9.4 and summarised below be given resource and spending approval as follows:

S106	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total
	£'000	£'000	£'001	£'000
Capital	812	140	15	967
<b>Total S106 Resource and Spend Approvals</b>	<b>812</b>	<b>140</b>	<b>15</b>	<b>967</b>

S106	2020/21 £'000	2021/22 £'000	Total
	£'000	£'000	£'000
Revenue	105	60	165
<b>Total Revenue S106 Approval</b>	<b>105</b>	<b>60</b>	<b>165</b>

- 3.4 That the expenditure plans and associated resources to be carried from 2019/20 to 2020/21 as set out in 9.5 and summarised below be approved:

Directorate	Slippage 19/20
	<b>£'000</b>
Children, Adults & Community Health	130
Finance & Corporate Resources	(1,480)
Neighbourhoods & Housing	361
<b>Total Non-Housing</b>	<b>(989)</b>
Housing	16,805
<b>Total</b>	<b>15,816</b>

- 3.5 That the schemes outlined in section 9.6 be noted.

#### 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 2019/20 considered by Council on 25 February 2019 sets out the original Capital Plan for 2019/20. 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 Cabinet 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 2020/21 currently totals **£324.918m (£179.230m non-housing and £145.688m 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 2020/21 will total **£345.703m (£183.210m non-housing and £162.493m housing)**.

Directorate	Revised Budget Position	July 2020 Cabinet Update	Slippage 19/20	Updated Budget Position
	£'000	£'000	£'000	£'000
Children, Adults & Community Health	14,880	423	130	15,433
Finance & Corporate Resources	118,575	3,400	(1,480)	120,494
Neighbourhoods & Housing	45,775	1,146	361	47,282
<b>Total Non-Housing</b>	<b>179,230</b>	<b>4,969</b>	<b>(989)</b>	<b>183,210</b>
Housing	145,688	0	16,805	162,493
<b>Total</b>	<b>324,918</b>	<b>4,969</b>	<b>15,816</b>	<b>345,703</b>

## 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 Council's 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 arrangement

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 the available resources (b) are consistent with Council policy.

8.6 With regard to recommendation 3.3 and paragraph 9.4 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 2019/20 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 **Final Devolved Formula Capital (DFC) Allocation Capital Funding:** Resource and spend approval of **£414k in 2020/21** is requested for the allocation of the DfE grant to individual schools maintained by Hackney Council for 2020/21. The

Department for Education allocates the Devolved Formula Grant annually to local authorities. Payment was confirmed in April 2020 and remitted to LBH in May 2020. The grant will be allocated to individual Local Authority schools based on the total number of pupils per school as at 1 April 2019. This year Hackney Council has been granted £414k to help maintain and improve the condition of school buildings and grounds. This capital funding helps to support Priority 2 of the Council's 2018-2028 Sustainable Community Strategy 'A borough where residents and local businesses fulfil their potential and everyone enjoys the benefits of increased local prosperity and contributes to community life'. This approval will have no net impact on the capital programme as the resources are funded by grant.

### 9.3 Neighbourhood and Housing (Non-housing)

9.3.1 **Electrical Power Upgrade at 80 Eastway:** Virement and spend approval of **£100k in 2020/21** is requested to increase the existing budget to fund the electrical power upgrade at 80 Eastway. This builds upon the £450k Greater London Authority (GLA) Good Growth Grant Fund approved by Cabinet in September 2018 (£390k for the Old Baths and £60k for Trowbridge) and £350k approved by Cabinet in July 2019 Cabinet to fund the new classroom and the additional £116k of grant funding from The London Legacy Development Corporate (LLDC) to fund the improvement of the surrounding public realm and refurbishment of the MUGA pitch at the back of the building. As part of the GLA funded project at the old baths, £200k GLA funding is being used to build a wood fabricated pod construction in the car park of the old baths. The pods will generate 75 sqm of additional affordable workspace at the old baths, an onsite CNC factory which will be used to build the pods and will provide new jobs and work placements for local people. One of the pods will be a new recording studio that will be utilised by local young people. The pods will be delivered using an innovative self build method and by utilising the talents of residents and students in the Hackney Wick area, it will be built by local people for local people. The result of an investigation of the current electrical power requirements found that the site is at the maximum supply capacity. Therefore this capital expenditure is to look at different options and implement the increase of the electrical power capacity to support the Council's project to transform The Old Baths at 80-80a Eastway into affordable work and community space, which will provide low cost workspace, new sports opportunities, culture and training opportunities for local people. This capital project supports the Council's 2018-2028 Sustainable Community Strategy Priority 1 'A borough where everyone can enjoy a good quality of life and the whole community can benefit from growth' and Priority 3 'A greener and environmentally sustainable community which is prepared for the future'. This approval will have no net impact on the capital programme as the resources already form part of the approved programme.

### 9.4 S106 Capital and Revenue Approvals:

9.4.1 Capital Resource and Spend approval is requested for **£1,989k (£1,833k in 2020/21, £140k in 2021/22 and £15k in 2022/23)** and Revenue Resource and Spend approval for **£165k (£105k in 2020/21 and £60k in 2021/22)** in respect of the projects detailed below, to be financed by S106 contributions. The works to be carried out are in accordance with the terms of the appropriate S106 agreements.

Planning	Project	Agreement Development Site	2020/21	2021/22	2022/23	Total
----------	---------	----------------------------	---------	---------	---------	-------

Site No.	Description		£'000	£'000	£'000	
2013/2765	Library Refurbishment Programme	30 - 34 Broadway Market London, E8 4QJ	19	0	0	19
2013/1000		398 Mare Street, London, E8 1HP	16	0	0	16
2014/3123		201 - 203 Hackney Road, London, E2 8JL	9	0	0	9
2012/1214		The Lion Club, 140 Pitfield Street, Hackney, London, N1 6JR	25	0	0	25
2011/2785		55 Daubenev Road London E5 0EE	61	0	0	61
2010/2596		Pembury Circus Development	9	0	0	9
2009/1021		3-11 Stean Street E8 4ED	3	0	0	3
2013/1102		Land Fronting Gascoyne Road & Harrowgate E9 7BN	14	0	0	14
2012/3871		Land @ Curtain Road, Hewett Street, Great Eastern	131	0	0	131
2013/3302		95 Hackney Road London E2 8ET	7	0	0	7
2013/3302		Alpha House, Tyssen Street, London E8 2ND	0	0	0	0
2012/1783		Land R/O 130-134 Richmond Road, London E8 3HW	8	0	0	8
2012/2956		14 Andre Street London E8 2AA	12	0	0	12
2013/4000		R Greens 1 Mentmore Terrace London E8 3PN	12	4	0	15
2014/2524		2-26 Bentley Road, London N1 4BY	0	24	0	24
2013/1357		341-345 Old Street London EC1V 9LL	0	22	0	22
2013/1381		1-8 And Land at Corner Regan Way London N1 6PB	0	7	0	7
2013/1614		Rear Of Thirlmere House, Church Walk, London N16 8QE	0	41	0	41
2012/1731 & 2015/3391		Unilateral Bridge House London E9	0	5	0	5
2014/0087		55 Dalston Lane London E8 2NG	0	3	0	3



2012/3677		2-4 Tottenham Road,London N1 4BZ	0	8	0	8
2015/0147		135-165 Lordship Road,Hackney London N16 5HF	0	11	0	11
2012/3871	Public Realm at The Stage	Land @ Curtain Road,Hewett Street,Great Eastern	471	0	0	471
2005/2510	Biodiversity Improvements	23-47 Mare Street	15	15	15	46
<b>Total Capital S106 Approvals</b>			<b>812</b>	<b>140</b>	<b>15</b>	<b>967</b>

Planning Site No.	Project Description	Agreement Development Site	2020/21 £'000	2021/22 £'000	Total
2015/1700	Sustainability Officer Post	The Holywell Centre 1 Phipp Street London EC2A 4PS	14	0	14
2015/1834		84-86 Great Eastern Street, & 1-3 Rivington Street, London, EC2A 3JL	46	60	106
2005/2510	Biodiversity Officer	23-47 Mare Street	7	0	7
2005/3039		142 Lea Bridge road E5 0RB	22	0	22
2014/0621		Colville Estate Hackney London N1	9	0	9
2014/0621		Colville Estate Hackney London N1	5	0	5
2012/1731 & 2015/3391		Unilateral Bridge House London E9	1	0	1
2016/2713		St. Leonards Court New North Rd.London N1 6JA	1	0	1
<b>Total Revenue S106 Approvals</b>			<b>105</b>	<b>60</b>	<b>165</b>

## 9.5 Carry Forward of Schemes from 2019/20 to 2020/21

9.5.1 Further to the outturn position reported in the March OFP report, the table below summaries the proposed carry forward to **2020/21 of £15,816k** in respect of overall slippage against the 2020/21 capital programme with a detailed scheme analysis provided in Appendix 1.

Directorate	Slippage 19/20
	<b>£'000</b>
Children, Adults & Community Health	130
Finance & Corporate Resources	(1,480)
Neighbourhoods & Housing	361

<b>Total Non-Housing</b>	<b>(989)</b>
Housing	16,805
<b>Total</b>	<b>15,816</b>

## 9.6 For Noting:

9.6.1 The s106/CIL Corporate Board Meetings dated 26 April 2020 and 26 June 2020 considered the following bids for resource and spend approval. As a result **£235k in 2020/21** will be spent in accordance with the terms of the appropriate s106 agreements.

Planning Site No.	Project Description	Agreement Development Site	2020/21 £'000
2007/2004	Shoreditch Park Improvements	1 Wiltshire Row	36
2014/0621		Colville Estate Hackney London N1	40
2013/2883	Highways Wks 42 Well St	42 Well Street, London E9 7PX	9
2012/0506	Highway Wks Great Eastern St/Ravey St	61 Great Eastern Street, 5 Ravey Street 93 Leonard St	56
2016/1348	Highway Wks Lyttleton Hse Well Street	Lyttleton House Well Street E9 7NN	66
2016/1347	Highway Wks Former Frampton Arms	Former Frampton Arms and land adjacent to Sherard and Catesby House 47 Well Street E9 7NU	27
<b>Total Capital S106 for Noting</b>			<b>235</b>

9.6.2A cabinet report dated 16 March 2020 approved the business plan of Hackney Housing Living Rent Company Limited (HLR) to acquire up to £5m of properties developed on schemes with the Council's Regeneration programmes to let a sub-market rent level (Hackney Living Rent) intended to occupy the housing availability and affordability gap between Social Rented and Intermediate/Private housing. The first 8 properties will be purchased from the Council's Bridge House development with the agreed addition of **£3.5m** to the General Fund Capital Programme, via a loan of **£2.5m** to **Hackney Living Rent Company Limited (HLC)** and investment of **£1m** equity to **Hackney Housing Company (HHC)**. This transfer of assets will ensure that the Council receives the value due to it under the agreement in a timely fashion as well as offering the opportunity to generate early revenue for Hackney's Housing Company which can be used to accelerate the delivery of homes for Living Rent. The Hackney Housing Company's (established in 2018 as the parent company to Hackney PRS Housing Company Limited and Hackney HLR Housing Company Limited) primary objectives are: to deliver the Council's #betterrenting principles; to generate surpluses from long term capital growth; to subsidise the delivery of alternative tenures and products; and to mitigate sales risk for the Council's regeneration programmes. The core principle is that through the letting of homes at a market rent, the company will generate a surplus that can be used to provide housing at a Hackney Living Rent where a household would pay no more than around a third of its income on rent. This capital project links in with the Council's 2018-2028 Sustainable Community Strategy Priority 1 'A borough where everyone can enjoy a good quality of life and the whole community can benefit from growth'.

This approval will have no net impact on the capital programme as the resources will be funded from revenue contributions from General Fund.

## 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.

Report Author	Samantha Lewis, 020 8356 2612 Samantha.lewis@hackney.gov.uk
Comments of the Group Director of Finance and Corporate Resources	Michael Honeysett, 020 8356 3332, <a href="mailto:Michael.honeysett@hackney.gov.uk">Michael.honeysett@hackney.gov.uk</a>
Comments of the Director of Legal	Dawn Carter-McDonald, 020 8356 4817 dawn.carter-mcdonald@hackney.gov.uk