

CAPITAL

This paper updates the Audit Committee following the fourth OFP Capital Programme monitoring exercise for the financial year 2021/22.

The actual year to date capital expenditure for the eleven months April 2021 to February 2022 is £100.2m and the forecast is currently **£156.8m, £9.6m** below the revised budget of **£166.4m**. This represents a forecast of 94% of the current revised budget position at February 2022. It also represents 67% of the budget of £236.4m, approved by Cabinet in February 2021 (Council's Budget Report).

The relatively low level of spend against the original budget is largely driven by three main factors:

- construction industry inflation resulting in tender prices being above cost estimates and further work required on viability of schemes (e.g CCG Primary Care Project, Estate Regeneration & Housing Supply programme)
- the ongoing impact of Covid-19, which has resulted in both slower starts on site and reduced activity overall (e.g solar panel installation programme, Shoreditch Park improvements, Housing asset management programme)
- external factors determining programme or requiring scheme review and re-profiling (Britannia Project, S106 highways works, Disabled Facilities Grant)

A summary of the forecast by the directorate is shown in table one. Brief details of the reasons for the major variances are included in the following tables.

Table 1 Summary of the Capital

Capital Programme Q3 2021-22	Budget Set at Feb Cab 2021	Forecast (as of Q4 return)	Forecast v Budget at Feb 2021 (Under/Over)	Revised Budget Position at Feb 2022	Forecast (as of Q4 return)	Forecast v Budget at Feb 2022 (Under/Over)
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's (Non-Housing)	3,047	1,944	(1,103)	2,279	1,944	(335)
Adults, Health & Integration	39	0	(39)	0	0	0
Children & Education	15,858	10,965	(4,893)	11,422	10,965	(456)
Finance & Corporate Resources	15,292	10,204	(5,088)	8,597	10,204	1,607
Mixed Use Development	34,315	10,386	(23,929)	13,332	10,386	(2,946)
Neighbourhood & Housing (Non)	26,974	20,805	(6,169)	24,278	20,805	(3,473)
Total Non-Housing	95,525	54,304	(41,221)	59,908	54,304	(5,604)
AMP Housing Schemes HRA	64,175	43,142	(21,033)	43,281	43,142	(138)
Council Schemes GF	11,273	25,008	13,735	22,183	25,008	2,825
Private Sector Housing	2,122	800	(1,322)	1,580	800	(780)
Estate Regeneration	38,394	18,970	(19,424)	20,736	18,970	(1,766)
Housing Supply Programme	18,638	10,879	(7,759)	11,909	10,879	(1,030)
Woodberry Down Regeneration	6,263	4,255	(2,008)	6,782	4,255	(2,528)
Total Housing	140,864	103,054	(37,810)	106,471	103,054	(3,417)
Total Capital Budget	236,389	157,358	(79,031)	166,380	157,358	(9,021)

CHIEF EXECUTIVE'S (NON-HOUSING)

The overall forecast is £1.94m, £0.34m below the revised budget of £2.28m.

CX Directorate Capital Forecast	Budget Set at Feb Cab 2021	Forecast (as of Q4 return)	Forecast v Budget at Feb 2021 (Under/Over)	Revised Budget Position at Feb 2022	Forecast (as of Q4 return)	Forecast v Budget at Feb 2022 (Under/Over)	Explanation
	£'000	£'000	£'000	£'000	£'000	£'000	
Employment, Skills & Adult Learning	0	13	13	13	13	(0)	ICT equipment for Adult learning GLA grant funded to be spent this year.
Libraries and Archives	1,753	126	(1,627)	269	126	(143)	The majority of the Libraries capital programme has been pushed back to 2022/23 to reflect the phasing of the works for the Stoke Newington library project and the slippage in the general planned maintenance and improvement budgets due to the desire to link the investment in our facilities to the developing Library Strategy.
Area Regeneration	1,294	1,805	510	1,997	1,805	(192)	The main variance against the revised budget relates to Plough Yard Fit Out which is due to a delay in signing the lease agreement with Plexal, the affordable workspace provider for the Council. This means the fit out and ventilation works have been delayed until 2022/23. Works are progressing at Ridley Road and Ashwin Street and are due to complete in early 2022/23. The procurement for an Architect for the development plans for the Dalston & Hackney Town Centre is in process with a contract award likely in spring 2022.
Total Non-Housing	3,047	1,944	(1,104)	2,279	1,944	(335)	

ADULTS, HEALTH AND INTEGRATION

AHI Directorate Capital Forecast	Budget Set at Feb Cab 2021	Forecast (as of Q4 return)	Forecast v Budget at Feb 2021 (Under/Over)	Revised Budget Position at Feb 2022	Forecast (as of Q4 return)	Variance	Explanation
	£'000	£'000	£'0000	£'000	£'000	£'000	
Adults, Health and Integration	39	0	(39)	0	0	0	The budget was re-profiled in Q2 from 2021/22 to future years to be reviewed and to determine if it is still required.
TOTAL	39	0	(39)	0	0	0	

CHILDREN AND EDUCATION

The overall forecast is £10.4m, £1.1m below the revised budget of £11.4m.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2021	Forecast (as of Q4 return)	Forecast v Budget at Feb 2021 (Under/Over)	Revised Budget Position at Feb 2022	Forecast (as of Q4 return)	Variance	Explanation
	£'000	£'000	£'000	£'000	£'000	£'000	
Children & Family Services	0	409	409	572	409	(163)	The variance against the revised budget relates to the scheme to convert Lofts to three Council Foster Homes. As a result of the ongoing Covid-19 pandemic, these projects have not progressed as expected. The original project was for three loft conversions with the aim to enable foster carers to offer increased capacity for ongoing placements to young people. One of the three projects is now unlikely to go ahead. However, costs for the other two renovations have increased and the intention is for some of the overall budget to be used to meet these additional costs. Finance is working closely with the service to monitor costs for the renovations and to ensure that evidence is provided to support all expenditure.

Education Asset Management Plan	3,484	2,200	(1,284)	2,233	2,200	(33)	The overall scheme is on track to spend the revised in-year budget of £2.2m with minor underspend. The works included boiler replacements including radiators and pipework, ceilings and lighting. Other works include: additional works to support the boundary walls at Shoreditch Park, an emergency water pump replacement at Sir Thomas Abney and the comfort cooling upgrade at Berger School which is on track to complete this financial year.
Building Schools for the Future	0	302	302	302	302	0	Ickburghs SEN works are progressing and on-target.
Other Education & Children's Services	1,937	2,353	415	2,460	2,353	(107)	The main u/spend against the revised budget relates to Gainsborough School which is at the defect period stage relating to fencing in the reception play area with retention due next year. The other variance relates to Garden School. The delays were due to unidentified asbestos at the school site which has now been removed. The construction work is now progressing and due to complete this financial year. Further works will be undertaken in 2022/23 such as landscaping, furniture and equipment provision..
Primary School Programmes	6,548	2,442	(4,107)	2,406	2,442	36	Facades Programme: Various reasons for u/spend against the original budget. Largely 5 schemes are currently at initial stages and awaiting the contractors to provide updates on the surveys taken at the schools by the end of Autumn. The next phase is likely to start in 2022-23 therefore the budget was re-profiled in Q3. The Millfields School work is ahead of schedule and the variations have been approved for the works, causing the increase in forecast. The other significant variance is at Rushmore School which is higher due to a minor variation caused by the work to the boundary wall affecting the final completion.

Secondary School Programmes	3,889	3,260	(628)	3,449	3,260	(188)	The cost of hiring a modular building for 5 years at The Urswick School was below that estimated, causing the underspend. Haggerston School tenders for the roofing works have been returned and the team are working on the detailed budget forecast. But unfortunately, there has been a delay with procurement due to shortage of staffing resources, therefore, it is highly unlikely that any expenditure would be incurred this financial year.
TOTAL	15,858	10,965	(4,893)	11,422	10,965	(456)	

FINANCE AND CORPORATE RESOURCES

The overall forecast in Finance and Corporate Resources is £20.6m, £1.3m over the revised budget of £21.9m.

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2021	Forecast (as of Q4 return)	Forecast v Budget at Feb 2021 (Under/Over)	Revised Budget Position at Feb 2022	Forecast (as of Q4 return)	Variance	Explanation
	£'000	£'000	£'000	£'000	£'000	£'000	
Property Services	11,022	3,861	(7,161)	3,979	3,861	(118)	The CCG Primary Care Project is the main variance against the original budget, forecasting £3.7m u/spend. The variance was re-profiled in Q3 to future years. The forecast for 2021/22 includes only feasibility and project management costs. The tenders for the construction works have been returned and are higher than expected. As it stands the programme is currently behind by 6-9 months, driven by delays in securing planning and procurement. The Stoke Newington Assembly Room work is the other significant variance against the original budget, forecasting £200k u/spend. The initial works to repair the ceiling have started with the remaining programme of works to continue in 2022/23.

ICT	3,518	6,046	2,528	3,861	6,046	2,185	The most significant variance in ICT relates to cyber recovery and the acceleration of upgrades due to the loss of data. The main reason for the increase in forecast since last quarter is further costs coming through being identified as 'capital' costs together with other increasing project costs. The full extent of Cyber capital costs are not known at this stage, however any overspend will be funded from future years budgets.
Other Schemes	752	298	(454)	757	298	(460)	Due to Covid-19, there were major delays with the Solar Panel Installation project, as they were unable to access the building to install the solar panels. But the buildings have been identified and are hoping to resume normally in 2022/23.
Total	15,292	10,204	(5,088)	8,597	10,204	1,607	
Mixed Use Development	34,315	10,386	(23,929)	13,332	10,386	(2,946)	<p>The majority of this underspend against the original budget relates to the Britannia Phase 2a project which received a rejection of its Section 77 application in July 2021. This meant the construction project for 81 affordable and 12 private units which was due to start in July 2021 was put on hold while the Council considered its options. Following further discussions it was decided to re-phase the project and further detail is given below.</p> <p>Additional variances relate to Phase 1 and Phase 2b of the Britannia Site, which is forecasting an underspend of £3.4m against the in-year respective budget of £13.2m due to:</p> <ul style="list-style-type: none"> • Some of the provisional sums which formed part of the phase 1 contractors contracts were not required. • Contingency spend for phase 1 has come in under budget; and • Due to the refusal of the Section 77 application for phase 2a site the programme for phase 2b has been delayed slightly which in turn delayed the phase 2b spend. <p>The refusal by the Secretary of State of the Section 77 application</p>

							for part of the Shoreditch Park Primary School Playground on which Phase 2a of the scheme (81 affordable and 12 private units) was to be delivered prompted a feasibility exercise to consider how the affordable housing could be delivered on the phase 2b site. Following this, a revised tenure and unit mix for Phase 2b to include the 81 affordable units along with 314 private residential units was presented to March Cabinet.
TOTAL	49,607	20,590	(29,017)	21,930	20,590	(1,340)	

NEIGHBOURHOODS AND HOUSING (NON-HOUSING)

The overall forecast in Neighbourhoods and Housing (Non) is £20.8m, £3.5m under the revised budget of £24.3m.

N&H – Non Housing Capital Forecast	Budget Set at Feb Cab 2021	Forecast (as of Q4 return)	Forecast v Budget at Feb 2021 (Under/Over)	Revised Budget Position at Feb 2022	Forecast (as of Q4 return)	Variance	Explanation
	£'000	£'000	£'000	£'000	£'000	£'000	
Leisure, Parks & Green Spaces	13,566	3,961	(9,606)	5,446	3,961	(1,485)	The main variance against the original budget relates to Kings Hall Leisure Centre, forecasting £3.1m u/spend, and the essential maintenance budget for Leisure Centres forecasting £1.4m u/spend. The feasibility and design for the refurbishment of Kings Hall will commence in April 2022. The budget was re-profiled to future years in Q3. The main underspend against the current budget relates to the installation of the new Clissold Park Paddling Pool. The contractors have been appointed and the works start March 2022 with completion due in June 2022. The other significant underspend relates to the Shoreditch Park improvements which was due to delays with contractors. Planning approval was granted in July 2021 and, whilst work to improve the Park has been delayed by the coronavirus pandemic,

							the contractors started on site in February 2022 with completion due in September 2022. The team are progressing with the upgrade of parks equipment and machinery but there are currently supplier issues resulting in underspends this quarter as the team are dependent on current availability.
Streetscene	11,856	11,721	(136)	13,298	11,721	(1,577)	The main underspend against the revised budget relates to S106-funded programmes for Highway works. With these schemes, the service does not have control over when work may begin because they must wait for the developers to finish their work.
Environmental Operations & Other	626	317	(309)	601	317	(284)	This is the earmarked budget for fleet. But it is unlikely there will be any further purchases this financial year. The budget will be reviewed at year end.
Public Realms TfL Funded Schemes	0	3,702	3,702	3,880	3,702	(178)	The variance against the revised budget is relatively minor (less than 5 per cent). In terms of delivery, the service area is concentrating its efforts this financial year on completing the public realm Transport for London (TfL) projects since grant-related work and expenditures are time-sensitive. Some of the projects that come under the Local Implementation Plans (LIP) include the roll out programme of cycle parking, parklets and pocket parks, school streets, cycle permeability, low traffic neighbourhoods, air quality monitoring in the borough as well as the quietways cycle route, Central London bus grid and the streetspace programme. Funding is provided for these schemes to improve the transport network in a way that is consistent with and supports the Mayor's Transport Strategy.
Parking & Market Schemes	358	110	(248)	50	110	60	
Community Safety, Enforcement & Business Regulations	567	994	427	1,003	994	(9)	Minor variance.
Total	26,974	20,805	(6,168)	24,278	20,805	(3,473)	

HOUSING

The overall forecast in Housing is £103.0m, £3.4m below the revised budget of £106.5m.

Housing Capital Forecast	Budget Set at Feb Cab 2021	Forecast (as of Q4 return)	Forecast v Budget at Feb 2021 (Under/Over)	Revised Budget Position at Feb 2022	Forecast (as of Q4 return)	Variance	Explanation
	£'000	£'000	£'000	£'000	£'000	£'000	
AMP Housing Schemes HRA	64,175	43,142	(21,033)	43,281	43,142	(138)	<p>The Housing AMP is under spent this year because the main contract (£40-50m p.a.) ended on 31 August 2021 and no more works could be issued under that contract. The expectation when the budget was set was to deliver the programme using the alternative arrangements approved by CPIC in May and June 2020 however this has not been possible. As reported to Cabinet in OFP reports there has been a slowdown in the delivery of the Housing AMP due to the impact of the lockdown throughout 2020/21 and the first quarter of 2021/22 which limited our capacity to issue works in the period up to August 2021. This slowdown in the capital programme delivery has enabled the HRA to mitigate the costs of Covid-19 over the last 20 months as the reduction to RCCOs has kept the HRA in a break-even position. It should be noted that the work and the budget are required when the new contracts are awarded later in the year, but work and spending will not commence until 2022-23. £27m was re-profiled in Q1 and a further £7m in Q2. The delivery programme for Bridport has been revised with works being pushed back into next year following protracted negotiations with the contractor Wilmot Dixon. Bannister House is expected to be completed by the end of the year subject to snaggings and final accounts; certifications have quickened at Regent Estates and works are well under way at Fermain Court having previously been deferred to next year. The rapid rise in expenditure on the</p>

							Integrated Housing Management System has been a response to the Cyber attack.
Council Schemes GF	11,273	25,008	13,735	22,183	25,008	2,825	The majority of the expenditure (£23.1m) relates to Leaseholder Buybacks, including bulk purchases from Local Space (24 units) and L&Q (15 units), alongside 17 individual buybacks. These purchases will be funded in part from RTB receipts. There continues to also be significant spend on Regeneration voids which are to be used as Temporary Accommodation properties, including 5 units to be allocated to Afghanistan refugee families.
Private Sector Housing	2,122	800	(1,322)	1,580	800	(780)	This underspend is based on the activity levels to date and an estimate of new grants to be awarded within the final quarter. Any unspent Disabled Facilities Grants will be utilised by Adult Services.
Estate Regeneration	38,394	18,970	(19,423)	20,736	18,970	(1,766)	This explanation covers both ERP and HSP. Both schemes (ERP and HSP) are underspent due to slippage in the programme. Due to the high price inflation currently being experienced within the construction market, more work is being done before tendering to ensure financial viability of these sites is maintained. Therefore the start on site will be delayed in some circumstances. There are 2 construction contracts due to be signed imminently and due to start on site prior to 31/03/2022. There are 4 schemes at the procurement stage and 3 other sites going out to tender in the new financial year. The Mayor of Hackney's Housing Challenge is expecting only £3.2m to be paid out to Housing Associations rather than £6m that was forecasted earlier in the year. This spend will help increase the supply of Affordable Housing in the borough, with more sites to go ahead during 22/23. This will all be funded from surplus Right to Buy receipts. The estimated buyback of units is also slightly less than the quarter 3 forecast and these will now complete during 2022/23.
Housing Supply Programme	18,638	10,879	(7,759)	11,909	10,879	(1,030)	As above.

Woodberry Down Regeneration	6,263	4,255	(2,008)	6,782	4,255	(2,528)	The forecast fluctuates depending on the number of buybacks due within the financial year. This Q4 forecast is based on 7 buybacks due this financial year. 8 other units which were previously allowed for in the forecast are now expected to complete during 2022 and this explains the reduction in spend since last quarter.
Total Housing	140,864	103,054	(37,810)	106,471	103,054	(3,417)	