



Capital Update and Property Disposals and Acquisitions Report

Key Decision No - FCR R97

CABINET MEETING DATE

25 April 2022

CLASSIFICATION:

Open

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

WARD(S) AFFECTED

All Wards

CABINET MEMBER

Philip Glanville, Mayor of Hackney

KEY DECISION

Yes

REASON

Spending or Savings

GROUP DIRECTOR

Ian Williams, Finance and Corporate Resources

1. CABINET MEMBER'S INTRODUCTION

- 1.1 This report on the capital programme updates members on the programme agreed in the 2022/23 budget.
- 1.2 Spend approval of £1,505k is proposed to enable Council Officers to proceed with the feasibility studies for the potential inclusive re-development of sites in our Town Centres in Hackney. This work will assess the development potential of Council-owned sites as well as their financial viability and potential delivery routes such as direct delivery, partnership/joint venture with a developer, or land sale with conditions. In addition, virement and spend approval is sought for £538k of investment at the Council's large fleet vehicle depot at 14 Andrews Road to improve the security around the existing vehicle entrance with the provision of secure fencing, a new vehicle barrier, a new pedestrian gate, and the relocation of the main office to the front of the building, adjacent to the entrance.
- 1.3 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 10 of this report.

3. RECOMMENDATION(S)

- 3.1 **That the scheme for Climate, Homes and Economy (Non-Housing) as set out in section 10.2 be given approval as follows:**

Town Centre Sites: Spend approval of **£1,505k (£288k in 2022/23, £1,000k in 2023/24 and £217k in 2024/25)** is requested to enable Council Officers to proceed with the feasibility studies for the potential development for our Town Centre sites in Hackney.

- 3.2 **That the scheme for Finance and Corporate Resources as set out in section 10.3 be given approval as follows:**

14 Andrews Road (Site for the Council's Vehicle Depot): Virement and spend approval of **£538k (£520k in 2022/23 and £18k in 2023/24)** is requested to fund the improvement works at this site.

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.

4.3 To facilitate financial management and control of the Council's finances.

5. BACKGROUND

5.1. Policy Context

The report to recommend the Council Budget and Council Tax for 2022/23 considered by Council on 28 February 2022 sets out the original Capital Plan for 2022/23. Subsequent update reports considered by Cabinet amend the Capital Plan for additional approved schemes and other variations as required.

5.2 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.

5.3 Sustainability

As above.

5.4 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.

5.5 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.

6. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

6.1 **14 Andrews Road:** The Council did look at alternatives, however if the Council were to spend less and deliver a partial scope of works, this would fall materially short of addressing the security risks identified. Furthermore, the moving of the reception area from the back of the workshop to the front, is very desirable when considered in the operational context of the workshop. Moving the reception to the front would provide a controlled and

safe holding area for visitors, substantially improving security and health and safety in practice.

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

- 7.1 The gross approved Capital Spending Programme for 2022/23 currently totals **£246.108m (£165.942m non-housing and £80.167m housing)**. This is funded by discretionary resources (borrowing, 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 2022/23 will total **£244.891m (£164.725m non-housing and £80.167m housing)**.

Current Directorate	Revised Budget Position	April 2022 Cabinet	Updated Budget Position
	£'000	£'000	£'000
Chief Executive's	4,035	0	4,035
Adults, Health & Integration	30	0	30
Children & Education	15,670	0	15,670
Finance & Corporate Resources	61,194	0	61,194
Climate, Homes & Economy (Non-Housing)	41,127	(1,217)	39,910
Total Non-Housing	122,056	(1,217)	120,839
Housing	124,052	0	124,052
Total	246,108	(1,217)	244,891

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.

9. VAT IMPLICATIONS

- 9.1 **Town Centre Sites:** At this stage as there are no definite plans as to what the Council will do, there are arguments that none of the VAT on the costs relates to an exempt supply. However, it would be a prudent approach to consider what supplies the Council will make and attribute the VAT accordingly as otherwise we may need to go back and make an adjustment to the partial exemption calculations once the intention does become clear. An apportionment based on possible income would be reasonable. This is dependent on the structure of the contracts to developers and the Council after the feasibility study.
- 9.2 **14 Andrews Road:** As the landlord is under no obligation to carry out the works, the Council (the Lessee) will take responsibility to undertake the works as it is used and occupied by the Council for vehicle servicing, the VAT incurred on the works will relate to the supplies the Council makes from the facility. The vehicles that are serviced are all ones used by the Council, as opposed to external vehicles, so arguably there are no specific exempt supplies made from the site and all of the VAT incurred on the works should be recoverable in full.

10. CAPITAL PROGRAMME 2021/22 AND FUTURE YEARS

- 10.1 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.

10.2 Climate, Homes and Economy (Non-Housing):

- 10.2.1 **Town Centre Sites:** Spend approval of **£1,505k (£288k in 2022/23,**

£1,000k in 2023/24 and £217k in 2024/25) is requested to enable Council Officers to proceed with the feasibility studies for the potential re-development of our Town Centres in Hackney. This work will assess the development potential of Council-owned sites as well as their financial viability and potential delivery routes such as direct delivery, partnership/joint venture with a developer, or land sale with conditions. The budget for this work was approved by Cabinet on 29th September 2020. Since budget approval in September 2020, there has been slight delay to the programme, this is mainly due to the delay in appointing a project manager to run the programme. The Project Manager was appointed in December 2021.

The current proposal is to initially develop the feasibility studies to RIBA stage 2 (with the exception of Hackney Central Station which, following the agreement of Cabinet on 16th March 2020, will be progressed to RIBA stage 3). The progress of each site to both RIBA stage 2 and 3 will be subject to a gateway review and will be conditional upon the satisfactory completion of the preceding stage and an acceptable viability position for the sites. The initial costs to undertake this work will be to appoint a consultant team including an architect, commercial advisor and quantity surveyor for each site. As part of the gateway review, the team will assess future resource implications for delivery of the schemes. It should be noted that some sites might not reach RIBA 3, the development options review will take place with RIBA 2 design and will be taken to the relevant governance boards for comment and approval. The purpose of this programme is to get feasibility work undertaken so the Council can consider the development options. The project also has an approved business case, which gave permission for the procurement exercise. The contract and deliverables will be managed via the project monitoring and governance structure. Deliverables will be reviewed at key review points throughout the project prior to progressing to the next stage of the project. The Project Manager will report progress to the project team, the Project Lead will report progress to the Project Board and Regeneration Delivery Board.

Programme Milestones	Target completion dates
Appoint Consultant Technical Team	July 2022
Feasibility (inc. RIBA 1)	Jan 2023
Site Sifting	Feb 2023
Design (inc. RIBA 2 (only selected sites)	June 2023
Site Sifting - Development option review	Post June 2024

The sites identified have the potential to bring 1.65 hectares of underutilised land back into more productive use and have the potential to deliver hundreds of new homes, affordable homes, and affordable workspace as well as contributing financially to the Council through capital receipts and/or longer term rental income. The exact scale of financial return to the Council is not yet known as the testing of viable options via the development

feasibility studies is the first stage of this programme. This capital project will support the Council's Inclusive Economy Strategy and support Covid-19 Town Centre recovery in Hackney Central and Dalston. This funding will also support all five Priorities of the Council's 2018-2028 Sustainable Community Strategy. This approval will have no net impact as the resources already form part of the capital programme.

10.3 Finance and Corporate Resources:

10.3.1 14 Andrews Road (Site for the Council's Vehicle Depot): Virement and spend approval of **£538k (£520k in 2022/23 and £18k in 2023/24)** is requested to fund the improvement works at this site. 14 Andrews Rd is a light industrial site currently used by the Council for large vehicle servicing which is carried out by the Council's Corporate Fleet Servicing Team. The proposal is to approve security arrangements at this site following a detailed review. The key recommendations of the review included improving the security around the existing vehicle entrance with the provision of secure fencing, a new vehicle barrier, a new pedestrian gate, and the relocation of the main office to the front of the building, adjacent to the entrance.

The estimated cost of this work is £735k. There is an existing budget allocation of £197k and therefore an uplift of £538k is required to carry out these works. This capital expenditure associated with these works is necessary to deliver upon the key theme in 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'. The area of focus this falls within is Community Safety and the commitment that the Council will continue to invest in community safety services and work across our services in partnership with the community, police and voluntary sector to divert people away from crime, create meaningful opportunities and keep residents safe. We will continue to prioritise our community safety activities based on intelligence, and resident insight and to work on these through our Community Safety Partnership Plan. This approval will have no net impact as the resources already form part of the capital programme.

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.

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