

CAPITAL

This paper updates the Audit Committee following the Quarter 1 Capital Expenditure exercise for the financial year 2022/23. The actual year to date capital expenditure for the four months April 2022 to July 2022 is £7.5m and the forecast is currently **£179.7m**, **£81.3m** below the revised budget of **£261m**. This represents a forecast of 74% of the approved budget of £244.3m, approved by Cabinet in February 2022 (Council's Budget Report). Each financial year, two re-profiling exercises within the capital programme are carried out in order that the budgets and monitoring reflect the anticipated progress of schemes. Cabinet approved the Capital Update Acquisition and Disposal Cabinet Report in September 2002 recommending the reprofiling of £83.2m capital budget into future years, together with details of the requested transfer of carry forward capital budget (slippage) from 2021/22 into the 2022/23 capital programme. A summary of the forecast by the directorate is shown in the table below along with brief details of the reasons for the major variances.

Capital Programme 2022/23	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/Over)
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's	4,035	1,008	(3,027)	4,218	1,008	(3,210)
Adults, Health & Integration	30	0	(30)	30	0	(30)
Children & Education	14,862	17,695	2,833	17,520	17,695	175
Finance & Corporate Resources	28,668	20,279	(8,389)	31,326	20,279	(11,047)
Mixed Use Development	32,382	11,893	(20,489)	32,539	11,893	(20,646)
Climate, Homes & Economy	40,318	33,820	(6,498)	45,031	33,820	(11,211)
Total Non-Housing	120,297	84,695	(35,600)	130,663	84,695	(45,968)
AMP Housing Schemes HRA	43,886	41,409	(2,477)	46,122	41,409	(4,713)
Council Schemes GF	6,999	4,426	(2,573)	3,448	4,426	978
Private Sector Housing	2,164	1,210	(954)	2,164	1,210	(954)
Estate Regeneration	30,003	12,203	(17,800)	32,970	12,203	(20,767)
Housing Supply Programme	33,406	23,353	(10,053)	35,812	23,353	(12,459)
Woodberry Down Regeneration	7,595	12,382	4,787	9,816	12,382	2,566
Total Housing	124,052	94,982	(29,070)	130,333	94,982	(35,351)
Total Capital Budget	244,349	179,677	(64,670)	260,997	179,677	(81,320)

CHIEF EXECUTIVE'S

The current forecast for the overall Chief Executive's is £1m, £3.2m below the revised budget of £4.2m. More detailed commentary is outlined below.

CX Directorate Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/Over)	Explanation
	£000	£000	£000	£000	£000	£000	
Libraries and Archives	4,035	1,008	(3,027)	4,218	1,008	(3,210)	The main project which is causing the variance relates to the budget set aside for the refurbishments to Stoke Newington Library. The spend for this year will be for the initial surveys and development plans. The project has been delayed due to the rising cost of the works and options needed to be appraised as to mitigating the cost and keeping within budget. Spend approval for the works will be considered by Cabinet in October. Thaisinyu/spend has been re-profiled to reflect the likely timeframe of the project.
Total Non-Housing	4,035	1,008	(3,027)	4,218	1,008	(3,210)	

ADULTS, HEALTH AND INTEGRATION

The overall forecast for Adults, Health and Integration in this Quarter is no spend against the respective in-year budget of £30k.

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AHI Directorate Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/Over)	Explanation
	£000	£000	£000	£000	£000	£000	
Adults, Health and Integration	30	0	(30)	30	0	(30)	Insignificant variance.
TOTAL	30	0	(30)	30	0	(30)	

CHILDREN AND EDUCATION

The current forecast is £17.7m, £1.1m above the revised budget of £16.6m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/ Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/ Over)	Explanation
	£000	£000	£000	£000	£000	£000	
Children & Family Services	0	477	477	477	477	0	Loft conversions to 3 Council Foster Homes: 1st is completed, 2nd is progressing, 3rd is not going ahead but funds will be used to cover additional costs on existing projects. Refurb to Shoreditch Park Play Adventure is in the initial Design stage.
Education Asset Management Plan	4,095	3,076	(1,019)	3,395	3,076	(318)	Cancellation of some works to Fernbank due to a further review which showed that only minor repair works were required.
Education Sufficiency Strategy	38	83	45	91	83	(7)	Ickburgh School: The works to rectify poor installation of heating and the SEND works are complete, retention due and final accounts being discussed.
Other Education & Children's Services	1,328	1,180	(148)	1,993	1,180	(813)	The Education SEND strategy: Tenders came back lower than expected. Simon Marks and Nightingale School RIBA Stage 1 is returned. Stage 2 feasibility report has indicated that work is likely to start in March 2023 and the budget re-profiled to 2023/24 in line with the programme. The Petchey Academy School project is currently on hold.
Primary School Programmes	6,368	9,767	3,399	6,661	9,767	3,105	Woodberry Down Children Centre (Relocation) o/spend is due to the team expecting 'extension of time' from the contractor and a 'start on site' in the summer of 2022. There is a price inflation due to the delay caused by initial blockage of the access road by Berkeley Homes. 2023/24 and 2024/25 budget has been re-profiled back to the current year to cover this o/spend.
Secondary School Programmes	3,033	3,112	79	3,933	3,112	(821)	The Urswick School: The annual cost of the modular building hire is less than expected. Lifecycle Programme: The Contractor has been appointed and the work started over the summer. The lighting upgrade and redecorations will be part of reactive works, hence the underspend. The variance will be used to fund the works at Stoke Newington School.
TOTAL	14,862	17,695	2,833	16,550	17,695	1,145	

FINANCE AND CORPORATE RESOURCES

The forecast for the overall Finance and Corporate Resources is £32.2m, £31.7m below the in-year respective budget of £63.9m. More detailed commentary is outlined below.

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/ Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/ Over)	Explanation
	£000	£000	£000	£000	£000	£000	
Property Services	23,772	14,499	(9,273)	25,505	14,499	(11,007)	CCG Primary Care Estate is at the Design and Build Stage. Construction will start in 2023/24. The other significant u-spends relate to HTH programme of works which was delayed and will take place in 2023/24 to include CCTV, replacement of air conditioning electrical works, dividing doors, surveyors and other consultant fees. Both u/spends have been reprofiled to 2023/24 to reflect the programme of works and construction date.
ICT	4,243	4,143	(100)	4,143	4,143	0	
Other Schemes	654	1,638	984	1,678	1,638	(40)	Insignificant variance.
Total	28,668	20,279	(8,389)	31,326	20,279	(11,047)	
Mixed Use Development	32,382	11,893	(20,489)	32,539	11,893	(20,646)	Britannia Phase 2a/b (Residential): The u/spend is due to the construction of Phase 2a residential not commencing in 2022/23 as expected. This was due to the refusal of the Section 77 application for the phase 2a site. This element of the Britannia masterplan is now on hold. Due to the need to revise the tenure and unit mix for Phase 2b to include the 81 affordable units originally part of Phase 2a the construction programme for phase 2b was also delayed from 2022/23.
TOTAL	61,051	32,172	(28,879)	63,865	32,172	(31,693)	

CLIMATE, HOMES AND ECONOMY

The overall forecast in Neighbourhoods and Housing (Non) is £33.8m, £11.2m under the revised budget of £45m. More detailed commentary is outlined below.

Climate, Homes & Economy Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/Over)	Explanation
	£000	£000	£000	£000	£000	£000	
Leisure, Parks & Green Spaces	22,934	19,751	(3,183)	24,967	19,751	(5,216)	Kings Hall LC refurbishment is at the feasibility and design stage. London Fields Learner Pool is at the design stage. The reason for the delay in progressing these projects were resourcing issues within the service which have now been resolved. Design teams have been or on track to be appointed in Q2 and contractors will be appointed in 2023/24. Both u/spends have been reprofiled to 2023/24.
Streetscene	12,765	11,171	(1,594)	16,067	11,171	(4,896)	The most significant underspend relates to the Highway Works schemes funded by s106. 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. The budgets have been re-profiled to 2023/24.
Environmental Operations & Other	734	488	(246)	1,018	488	(530)	Waste Wheeled Bins and Commercial Vehicles for Winter Maintenance have been delivered and the variance will be offered up as savings.
Public Realms TfL Funded Schemes	0	0	0	0	0	0	
Parking & Market Schemes	308	0	(308)	289	0	(289)	There is no spend for this financial year for the Hackney Street Markets Strategy and the u/spend has been re-profiled to 2023/24.
Community Safety, Enforcement & Business Regulations	493	512	19	512	512	0	
Area Regeneration	3,084	1,899	(1,185)	2,179	1,899	(280)	Affordable Workspace Programme: Options currently being considered for works. The original plans for the budget fell through and other sites are now being investigated. Unlikely to be spent this financial year therefore the budget has been reprofiled to 2023/24.
Total	40,318	33,820	(6,498)	45,031	33,820	(10,932)	

HOUSING

The overall forecast in Housing is £95m, £35.4m below the revised budget of £130.3m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2022	Forecast (as of Q1 return)	Forecast v Budget at Feb 2022 (Under/Over)	Budget Position at July 2022	Forecast (as of Q1 return)	Forecast v Budget at July 2022 (Under/Over)	Explanation
	£000	£000	£000	£000	£000	£000	
AMP Housing Schemes HRA	43,886	41,409	(2,477)	46,122	41,409	(4,713)	The latest projected spend reflects a correction in the programme of works at Lincoln Court and the procurement to appoint a new electrical supplier. Bannister House is complete and subject to final accounting. The budgets have been re-profiled to 2023/24.
Council Schemes GF	6,999	4,426	(2,573)	3,448	4,426	978	111 units are expected to receive void work during the year. The budget from 2022/23 and 2023/24 has been re-profiled back to the current year to support this o/spend.
Private Sector Housing	2,164	1,210	(954)	2,164	1,210	(954)	This forecast is based on the grant activity levels expected during the year which may fluctuate depending on the number of uptake of grants during the financial year. Any surplus will be utilised within Adult Services.
Estate Regeneration	30,003	12,203	(17,800)	32,970	12,203	(20,767)	There are 4 projects that are going into cost optimisation periods with the preferred contractors later in the year. The price of these contracts are currently higher than previous expectations, owing to the high inflation currently being experienced within the construction sector. The cost optimisation period will be used to work alongside the contractors to identify required cost savings and improve viability, before construction works commence. 2 projects have recently started on site and another 2 are due to fully complete before the end of the calendar year. Planning committee approval has recently been awarded on 5 sites, however the previously mentioned cost inflation alongside a stagnant sales market is making it challenging to meet previously agreed viability levels on a number of projects. Value engineering and other cost saving and value maximising options are currently being considered by senior management.
Housing Supply Programme	33,406	23,353	(10,053)	35,812	23,353	(12,459)	Commentary is included within Estate Regeneration above.
Woodberry Down Regeneration	7,595	12,382	4,787	9,816	12,382	2,566	There is a £4m payment required to be made to Berkeley Homes, relating to a previous overage payment made to the Council in 2017 which is now required for Phase 3. LBH are however due to receive another overage payment relating to phase 2 before the end of 2022/23. 16 Buybacks are estimated to complete this year with

							the majority of these relating to Phase 4, where 41 Buybacks are required to complete before Oct 2023.. These costs are re-claimed from Berkeley Homes and the budget will be reprofiled based on completions to date.
Total Housing	124,052	94,983	(29,070)	130,333	94,982	(35,351)	