

CAPITAL MONITORING - QUARTER 3

1. This is the third OFP Capital Programme monitoring report for the financial year 2022/23. The actual year to date capital expenditure for the four months April 2022 to December 2022 is £49.1m and the forecast is currently £150m, £17.5m below the revised budget of £167.5m. This represents a forecast of 61% of the budget of £244.3m, approved by Cabinet in February 2022 (Council's Budget Report). The main reasons for this variance are:
 - 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 delay in the procurement of a main planned maintenance contractor for Housing Asset Management works.
 - external factors determining programme or requiring scheme review and re-profiling (Britannia Project, S106 highways works, Disabled Facilities Grant)
2. Officers are also undertaking a further line by line analysis of variances at project level. 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.

Table 1 Summary of the Capital Programme

Capital Programme 2022/23	Budget Set at Feb Cab 2022	Budget Position at Dec 2022	Spend	Forecast	Variance (Under/Over)	Capital Adjustments	Updated Budget Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's	4,035	408	56	228	(180)	0	408
Adults, Health & Integration	30	0	0	0	0	0	0
Children & Education	14,862	16,388	5,909	17,825	1,438	(0)	16,388
Finance & Corporate Resources	28,668	21,666	4,351	16,112	(5,554)	0	21,666
Mixed Use Development	32,382	8,707	2,028	6,722	(1,985)	0	8,707
Climate, Homes & Economy	40,318	24,851	9,339	21,629	(3,222)	0	24,851
Total Non-Housing	120,297	72,020	21,683	62,516	(9,504)	(0)	72,020
AMP Housing Schemes HRA	43,886	42,689	16,321	41,189	(1,500)	0	42,689
Council Schemes GF	6,999	4,426	1,848	4,481	56	0	4,426
Private Sector Housing	2,164	1,210	626	960	(250)	0	1,210
Estate Regeneration	30,003	12,928	2,982	10,817	(2,111)	0	12,928
Housing Supply Programme	33,406	24,923	4,723	21,506	(3,416)	0	24,923
Woodberry Down Regeneration	7,595	9,294	889	8,571	(723)	0	9,294
Total Housing	124,052	95,469	27,389	87,524	(7,945)	0	95,469
Total Capital Budget	244,349	167,489	49,071	150,040	(17,448)	(0)	167,489

CHIEF EXECUTIVE

3. The current forecast for the overall Chief Executive's is £228k, £180k below the revised budget of £408k. Below is a brief update on the main variance:

CX Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Dec 2022	Spend	Forecast	Variance
	£000	£000	£000	£000	£000

Libraries and Archives	4,035	408	56	228	(180)
Total Non-Housing	4,035	408	56	228	(180)

Libraries and Archives is the only area with capital work in the Chief Executives. The most significant variance relates to the Library Capital Works. The forecast is £50k, £101k below the in-year respective budget of £152k. This forecast is the expected emergency capital works due in the Council's Library buildings for quarter 3. Any surplus budget will be utilised in the next financial year.

CHILDREN AND EDUCATION

4. The current forecast for the overall Children and Education is £17.8m, £1.4m above the revised budget of £16.4m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Dec 2022	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Children & Family Services	0	477	72	477	0
Education Asset Management Plan	4,095	2,547	973	2,199	(348)
Building Schools for the Future	38	91	29	80	(11)
Other Education & Children's Services	1,328	1,651	(132)	1,198	(453)
Primary School Programmes	6,368	8,393	3,664	10,641	2,248
Secondary School Programmes	3,033	3,228	1,303	3,230	1
TOTAL	14,862	16,388	5,909	17,825	1,438

Children and Family Services

5. There is no material variances to the budget.

Education Asset Management Plan

6. The forecast for the overall Education Asset Management Plan is £2.2m, £0.3m below the in-year respective budget of £2.5m. Most of the AMP programme works are near completion for this financial year. Below is a brief update on the main variance:
7. *Shoreditch Park AMP (Art Block snagging, main roof and partial soft play)* - The forecast is nil spend against the in-year respective budget of £123k. The scheme is complete so any underspend will cover any overspends at year end.

Other Education & Children's Services

8. The forecast for the overall Other Education and Children's Services is £1.2m, £0.5m below the in-year respective budget of £1.7m. Below is brief update on the main variance:
9. *The Garden School (Expansion and Provision of Sixth Form (SEND) inc Roof and Pipework and asbestos)* - The forecast is nil spend against the in-year respective budget of £440k. The project is complete. The variance is due to a delay in the receipt of the final account. The Project Manager is chasing the quantity surveyor. It is unlikely that we will have an agreed position until the new year. Hence the variance.

Primary School Programmes

10. The forecast for the overall Primary School Programme is £10.6m, £2.4m above the in-year respective budget of £8.4m. Below is a brief update on the main variance:
11. *Woodberry Down Children Centre - Relocation* - The forecast is £2.5m, £2.4m above the in-year respective budget of £2.5m. The variance relates to the procurement delays which impacted the project starting on time and £2.4m was re-profiled to future years in the previous quarter. The scheme was 8 weeks behind due to undiscovered underground items on site with trenches full of asbestos. Now the contractors have started on site and the works have accelerated therefore the Project Manager is now forecasting an overspend on the in-year budget. All the foundation works and external walls are completed. This variance will be slipped at year end and the 2023/24 budget will cover any overspend.

Secondary School Programmes

12. There is no material variances to the budget.

FINANCE AND CORPORATE RESOURCES

13. The forecast for the overall Finance and Corporate Resources is £22.8m, £7.6m below the in-year respective budget of £30.4m. Below is a brief update on the main variances:

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Dec 2022	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Property Services	23,772	16,126	2,647	11,693	(4,433)
ICT	4,243	4,143	1,604	3,972	(171)
Other Schemes	654	1,398	99	448	(950)
Total	28,668	21,666	4,351	16,112	(5,554)

Mixed Use Development	32,382	8,707	2,028	6,722	(1,985)
TOTAL	61,051	30,373	6,378	22,834	(7,539)

Strategic Properties Services - Strategy & Projects

14. The forecast for the overall Strategic Properties Services is £11.7m, £4.4m below the in-year respective budget of £16.1m. Below is a brief update on the main variances:

- *Stoke Newington Assembly Hall* - The forecast is £1.2m, £0.5m below the in-year respective budget of £1.7m. The phase 1 of the project is replacing the ceiling of the Assembly Hall but asbestos was discovered resulting in an additional quotation. The team are considering purchasing the scaffold that they are currently hiring which would be a lump sum cost of circa £200k. The team are also procuring a new fire alarm system which would primarily be equipment at £300k. However what is unlikely is the undertaking of the main contract of works to the ceiling which made up the majority of the forecast. The team will review and update by the next quarter.
- *The City & Hackney Clinical Commissioning Group (CCG) Primary Care Project* - The forecast is £4m, £2m below the in-year respective budget of £6m. The CPRP bid for the rest of the funds needed for the project has now been approved. The Portico (repair and refurbishment of existing Grade II listed building and new build extension) - the Contractors started on site on 1 August 2022. The site is progressing well. The cutting down of the piles, pile caps, and ground beams has started. The below ground drainage to start in the next quarter. The Belfast Road (new build) - the Contractors started on site on 30 August 2022. The archaeological borehole investigation has been completed. The demolition to the main structure has started. Tree pruning is completed. The party wall notices have been served. The Network Rail Basic Asset Protection approvals are in place for demolition, treeworks and Japanese knotweed removal. The construction will start in 2023/24. Any surplus budget from this year will be utilised in 2023/24.
- *Asbestos Surveys* - The forecast is £0.5m, £0.3m below the in-year respective budget of £0.8m. This forecast reflects the number of surveys and emergency asbestos removal works expected for this quarter.
- *Landlord Works at 12-14 Englefield Rd (South East and East Asian Centre)* - The forecast is £0.4m, £0.5m below the in-year respective budget of £0.9m. The variance was due to the delay to appointing the contractor. The Contract is now awarded and the contractor is expected to be on site in January 2023.
- *Vehicle Maintenance Workshop* - The forecast is £22k, £409k below the in-year budget of £431k. The new reception is in the initial stages of design. The Project Manager is unable to progress purchasing the items for the workshop until the new reception building is built. The underspend will be utilised in the next financial year.

- *Kings Hall Leisure Centre* - The forecast is £0.9m, £0.7m above the in-year budget of £0.2m. This project is at the initial feasibility and design stage. The Design Team was appointed in October 2022. The Contractors will be appointed in 2023/24. The variance will be funded from the 2023/24 budget.

Corporate Resources Other Schemes

15. The forecast for the overall Corporate Resources Other Schemes is £0.4m, £1m below the in-year respective budget of £1.4m. Below is a brief update on the main variances:

- *Solar Project (Commercial)* - The forecast is £0.1m, £0.5m below the in-year respective budget of £0.6m. The works are progressing and solar installations at Wrens Park Community Hall, Hackney Marshes and Concorde Centre will be completed by mid January 2023. Solar installation at the following sites are due to start in January 2023: Webb Estate Community Hall, Queensbridge Leisure, Gascoyne House and Rose Lipman Community Hall.
- *Green Homes Fund (Government Grant for insulating Private Sector Housing)* - The forecast is £72k, £293k below the in-year respective budget of £365k. This spend forecast is based on the number of bid applications accepted and awarded for this grant, with the release of the expected funds due by March 2023.

Mixed Use Developments

16. The forecast for the overall Mixed Use Developments is £6.7m, £2m below the in-year respective budget of £8.7m. This forecast largely relates to the Britannia site as Tiger Way and Nile Street are now complete with only retention and final payments due.

- *Tiger Way* - All units have been sold and the development is fully occupied. The final account for the Design and Build element of the project remains in draft agreement as anticipated. The final account value includes adjustments for variations and value engineering. This has resulted in a lower final account value than the original contracted sum. No edits or adjustments to values are expected.
- *Nile Street* - The Nightingale Primary school is completed and occupied. There is a higher than anticipated void costs due to slower than anticipated sales rate as a result of the current market conditions. The sales strategy is being reviewed quarterly. Currently, 124 apartments out of the 175 units have been sold. This represents 70.8% of the total residential units. The final account for the Design and Build element of the project has been agreed.
- *Britannia Site* - Phase 1a (new Leisure centre) and Phase 1b (CoLASP) are now in the defects period with agreed defects being rectified and end of defects certificates likely to be issued in December for Phase 1b and January for Phase 1a. Phase 2b (Residential) is in the initial stages. The Stage 4 design letter has now been signed off and issued to the design team. The

initial tenders were received on 9 November for the design and build contractor. The cabinet date of January 2023 has now been put back to March 2023. This in turn leads to a new start 'on site date' of April/May 2023. The forecast of construction spend has therefore moved to next financial year. The Employers Agent and Clerk of works are out to tender.

CLIMATE, HOMES & ECONOMY

17. The overall forecast in Climate, Homes & Economy is £21.6m, £3.2m under the revised budget of £24.9m. More detailed commentary is outlined below.

Climate, Homes & Economy Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Dec 2022	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Leisure, Parks & Green Spaces	22,934	12,639	4,617	10,610	(2,029)
Streetscene	12,765	10,056	2,691	9,350	(706)
Environmental Operations & Other	734	500	0	500	0
Public Realms TfL Funded Schemes	0	0	1,746	0	0
Parking & Market Schemes	308	70	0	70	0
Community Safety, Enforcement & Business Regulations	493	188	5	124	(64)
Area Regeneration	3,084	1,399	279	975	(423)
Total	40,318	24,851	9,339	21,629	(3,222)

Leisure, Parks and Green Spaces

18. The forecast for the overall Leisure, Parks and Green Spaces is £10.6m, £2m below the in-year respective budget of £12.6m. Below is the brief update on the main variances.
- *Essential Maintenance of Leisure Centres* - The forecast is £0.8m, £0.5m below the in-year budget of £1.3m. This budget is to cover reactive works and repairs that may occur at any time in the Leisure Centres across the borough. The spend forecast is based on the work expected to be completed by the end of quarter 3. Any surplus budget from this year will be utilised in 2023/24.
 - *Parks Strategy and Infrastructure* - The forecast is £0.7m, £1m below the in-year budget of £4.5m. This budget is to cover both reactive and planned works in quarter 3. The majority of work usually takes place in quarter 4 which is the quieter period of the year. The team are progressing with the upgrade of parks equipment and machinery but are still experiencing supplier issues resulting in an underspend this quarter.

- *Abney Park* - The forecast is £3.3m, £0.5m below the in-year respective budget of £3.7m. Despite the snow, work is continuing on the Abney Park Restoration Project and much of the work on site has moved inside the buildings now. The contractor has completed all of the external stonework repairs to the Chapel and the 4 new stained glass windows have been installed. The window openings have been boarded up to keep the building weather tight to protect the internal repairs that are in progress while we wait for the new windows to arrive. The Church Street entrance improvements are almost complete and the entrance has been reopened to the public. The new railings are currently in fabrication and the original Listed gate is being refurbished. Both will be installed in the new year. The entrance will need to close again for a week to allow for the installation of the gate and railings.
- Works to the Lodges and new workshops are progressing well. The Lodges roofs have been repaired, the new workshop roofs completed and the first fix wiring and plumbing has been installed. The exterior blockwork and brickwork of the new building which will house the Cafe and Education/Community Space is completed. The windows and doors have been installed, the first fix wiring and plumbing is completed and the Ground Source Heat Pump ground works are completed. The team have experienced delays due to unexpected additional underpinning works being required to the Chapel causing the variance. The current expected completion is now quarter 2 of 2023/24.

Streetscene

19. The forecast for the overall Streetscene is £9.3m, £0.7m below the in-year respective budget of £10m. The estimated underspend is largely due to new S106 schemes that will begin in the new year, as work can only be done once the developer's work is completed. Other schemes have been delayed due to lengthy consultations and the prioritisation of larger grant-funded schemes.

Area Regeneration

20. The overall forecast for Area Regeneration is £1m, £0.4m below the in-year respective budget of £1.4m. Below is a brief update on the main variance:
 - *Hoxton Public Realm* - The forecast is nil spend against the in-year respective budget of £232k. The project implementation date is pushed back to align with the UK Shared Prosperity Fund (UKSPF) timeframe, which is the Government's domestic replacement for the European Structural and Investment Programme (ESIF) which the UK continues to participate in until 2023. There is an estimation of 5 months from appointment of contractor to completion of works. The appointment of contractor and purchase of materials is likely to happen in June 2023. The budget will therefore be utilised next financial year.

HOUSING

21. The overall forecast in Housing is £87.5m, £7.9m below the revised budget of £95.5m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2022	Budget Position at Dec 2022	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
AMP Housing Schemes HRA	43,886	42,689	16,321	41,189	(1,500)
Council Schemes GF	6,999	4,426	1,848	4,481	56
Private Sector Housing	2,164	1,210	626	960	(250)
Estate Regeneration	30,003	12,928	2,982	10,817	(2,111)
Housing Supply Programme	33,406	24,923	4,723	21,506	(3,416)
Woodberry Down Regeneration	7,595	9,294	889	8,571	(723)
Total Housing	124,052	95,469	27,389	87,524	(7,945)

AMP Capital Schemes HRA

22. The overall forecast is £41.2m, £1.5m below the in-year respective budget of £42.7m. Below is a brief update on the main variances:
- *Mulalley - HiPs South West* - The forecast is £1.7m, £0.4m below the in-year respective budget of £2.1m. Negotiations are continuing with the contractor to progress works at Purcell which now seems likely to slip into next year. The underspend will cover overspends across the overall programme.
 - *Street Lighting SLA* - The forecast is £0.7m, £0.6m below the in-year respective budget of £1.3m. The programme has been rescheduled due to supply chain shortages. The underspend will cover overspends across the overall programme.
 - *Disabled Adaptation* - The forecast is £1.5m, £0.5m above the in-year respective budget of £1m. There has been a higher volume of children's adaptations and an increase in the team to manage down the back-log of assessments. The overspend will be covered by underspends across the overall programme.
 - *Integrated Housing Management Systems* - The forecast is £2.7m, £0.4m above the in-year respective budget of £2.3m. A contract extension has been granted to a supplier who is providing additional staff to augment the Hackney ICT development teams working on the 'Modern Tools for Housing'

Programme. The overspend will be covered by underspends across the overall programme.

- *Fire Risk Assessments* - The forecast is £1.3m, £0.9m below the in-year respective budget of £2.2m. Fire safety works that were scheduled for Fellows Court are on hold due to a review of the gas supply network by Cadent; there is also the aim to bring Fellows Court onto an overall 'Front Entrance Doors' contract next year. The underspend will be carried forward at year-end as the works will start early in the new financial year.
- *High Value Repairs* - The forecast is £2.7m, £0.7m above the in-year respective budget of £2m. During the first half of the year there has been a higher volume of repairs and a contingency is being held to cover the recharges due at the end of the year. The overspend will be covered by underspends across the overall programme.
- *Capitalised Salaries* - The forecast is £5.5m, £0.2m above the in-year respective budget of £5.3M. The upward revision reflects the full effect of this year's pay award. The overspend will be covered by underspends across the overall programme.
- *Green Initiatives* - The forecast is £3k, £297k below the in-year respective budget of £300k. Installation of the prepayment metres is awaiting procurement of a contractor for communal boilers. The award of the new contract is anticipated in the new year but mobilisation will not impact until the next financial year.
- *Cycle Facilities* - The forecast is £200k, £179k above the in-year respective budget of £21k. There has been a concerted effort to complete a backlog of orders issued in 2019/20 prior to lock down causing the variance. The overspend will be covered by underspends across the overall programme.
- *Bridport* - The forecast is £3.3m, £1.2m below the in-year respective budget of £4.6m. Costs of repairing further defects are continuing to emerge and the timeline for completion has now been pushed back to mid 2024/25. The total capital spend estimate is now £10.6m (of which contract sum of works is £8.25m). The current spend this year is £1.7m with a further spend of £1.4m to the end of year. The expectation for next year is a spend of £5.8m.

Council Schemes GF

23. There is no material variances to the budget.

Private Sector Housing Schemes

24. The forecast for the overall Private Sector Housing Schemes is £1.0m, £0.2m below the in year respective budget of £1.2m. Below is a brief update on the main variance:

- *Disabled facilities Grant* - The forecast is £0.8m, £0.2m below the in year respective budget of £1m. The spend forecast is based on applications received so far in the year and the works expected to complete in the last quarter of 2022/23. All of the spend is externally funded by the Disabled Facilities Grant, with any underspend being utilised by Adult Social Care.

Estate Regeneration Programme (ERP)

25. The overall forecast for the Estate Regeneration Programme is £10.8m, £2.1m below the in year respective budget of £12.9m. Below is a brief update on the main variances:

- *Estate Renewal Implementation* - The forecast is £3.4m, £1.2m below the in-year respective budget of £4.6m. The main reason for the variance in the quarter is due to one of the Mayor of Hackney's Housing Challenge site payments now not likely to take place until 2023/24. The budget will therefore be utilised next financial year.
- *Tower Court* - The forecast is £2.0m, £0.1m above the in-year respective budget of £1.9m. The project is nearing completion. Final handover of the expected units is expected to take place in March 2023. Discussions are still ongoing about how to best utilise the commercial space moving forwards, but this will likely have cost and time implications.
- *Kings Crescent 3&4* - The forecast is £0.5m, £0.3m below the in-year respective budget of £0.8m. The project is due to go into a cost optimisation period with the preferred contractor in early 2023, with a view to reducing costs and improving viability of the project. The cost optimisation period is likely to take around 90 weeks and is due to start slightly later than expected last quarter. This is the reason for the reduction in forecast compared to quarter 2.
- *Colville Phase 2C* - The forecast is £1.0m, £0.5m below the in-year respective budget of £1.5m. A PCSA contract is due to be signed imminently, with spend relating to this likely to start in January 2023. This is slightly later than previous expectations and explains the reduction in forecast from quarter 2.

Housing Supply Programme

26. The overall forecast for the Housing Supply Programme is £21.5m, £3.4m below the in-year respective budget of £24.9m.

- *Wimbourne Street and Buckland Street* - The forecast is £16.3m, £3.5m below the in-year respective budget of £19.8m. The sites are now under contract and works have started, with an estimated completion date of June 2024. The reduction in spend compared to the last quarter is due to updated cashflow forecasts being received from the contractor, which more accurately phase the spend over the construction period. Any surplus budget from this year will be utilised in 2023/24.
- *Murray Grove* - The forecast is £0.1m, £0.1m below the in-year respective budget of £0.2m. The slight reduction in spend since last quarter is due to a reduction in estimated spend on project fees. Options are currently being considered for this site after tender returns were significantly higher than our cost consultants had estimated.

Woodberry Down Regeneration

27. The overall forecast for the Woodberry Down Regeneration is £8.6m, £0.7m below the in-year respective budget of £9.3m. The reduction in spend is due to a lower number of Buybacks now expected to complete by 31 March 2023. Last quarter 11 Buybacks were forecast, but this has been reduced to 7 based on current activity levels and sales to date. Early indications suggest that there appears to have been a slow down in sales, as Leaseholders stay put for longer due to the current uncertain financial climate and high mortgage rates.