Hackney

Title of Report	Capital Update and Property Disposals and Acquisitions Report
Key Decision No	FCR S206
For Consideration By	Cabinet
Meeting Date	27 November 2023
Cabinet Member	Cllr Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service
Classification	Open
Ward(s) Affected	All
Key Decision & Reason	Yes / Spending or Savings
Implementation Date if Not Called In	6 December 2023
Group Director	Jackie Moylan, Interim Group Director, Finance

1. CABINET MEMBER'S INTRODUCTION

1.1 This report updates members on the capital programme agreed in the 2023/24 budget.

1.2 Through the proposals in this report we demonstrate our commitment to meeting our manifesto pledges as well as continuing to deliver against the Council's Strategic Plan.

1.3 This month we are recommending that Cabinet approve the sale of the freehold of 234-238 Mare Street which has been empty for a number of years and is in need of significant investment to bring it back into productive use. Through selling the site, we will be generating a capital receipt, which will be used to fund projects in the Council's capital programme, such as much needed investment to buildings that are used by Voluntary and Community groups, this includes investing in fire safety improvements. The sale will also save revenue costs as we are incurring £167,000 per year to retain this empty property. The sale will also enable this empty building to be brought back to productive use and play a positive role in Hackney Town Centre.

1.4 We are also seeking approval for the use of £123k of S106 monies to start planning for the Hackney Carnival which we committed to deliver in 2024. By allocating this funding now we can contract with our partners much earlier to start planning for a successful Carnival next year. The early start to planning will enable an artistically stronger, more accessible carnival with good fundraising opportunities which will see improved community partnerships. Carnival supports our Arts and Cultural Strategy delivering on all five of the strategy's themes: community cohesion, education, health and wellbeing, employment and the economy.

1.5 Finally, this month approval is sought for the use of £500k of S106 monies for the development of Phase 4 of the Woodberry Down Cultural plan which will provide opportunities for the community at Woodberry Down to come together to participate in creative and cultural activity. Phase 4 of the Woodberry Down development includes the 'central square', which will form the heart of Woodberry Down. The cultural strategy and creative projects will include integrated bespoke artworks developed with community involvement and will also embed opportunities to support the local economy, local employment, health and well being and education.

1.6 I commend this report to Cabinet.

2. INTERIM GROUP DIRECTOR'S INTRODUCTION

2.1 This report updates Members on the current position of the Capital Programme and seeks approval as required to enable officers to proceed with the delivery of those schemes as set out in section 3 of this report.

2.2 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** These premises are currently empty and require substantial works of redevelopment and refurbishment to bring the buildings back into productive use. Development by the Council is highly resource intensive, and scarce resources are better employed on larger more viable sites where they can make more impact. Doing nothing is not a viable option as the building costs a significant sum to keep empty and therefore it will be a benefit to the Council's capital and revenue position to dispose of this asset. While it remains empty, the building does not play a positive role in the Town Centre. The sale will also generate a much needed capital receipt which can be used to fund projects in the Council's capital programme.

3. RECOMMENDATION(S)

3.1 **That the CIL Revenue scheme summarised below and set out in section 11 be approved:**

Project Description	2023/24 £'000
Carnival 2024	123
Tota CIL Revenue for Approval	**123**

3.2 **That the s106 Capital scheme summarised below and set out in section 11 be approved:**

S106	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total
Capital	167	167	167	500
Tota S106 Capital for Approval	**167**	**167**	**167**	**500**

3.3 **That the s106 Capital scheme summarised below and set out in section 12 be noted:**

S106	2023/24 £'000
Capital	150
Total Capital S106 for Noting	**150**

3.4 **That the re-profiling of the budgets as set out in Appendix 1 and summarised below be approved:**

Current Directorate	Re-Profiling 23/24	Re-Profiling 24/25	Re-Profiling 25/26
	£'000	**£'000**	**£'000**
Non Housing	(30,495)	34,657	38
Housing	(10,862)	10,862	0
Total	**(41,356)**	**45,518**	**38**

3.5 **That the capital adjustments of the budgets as set out in Appendix 1 and summarised below be approved:**

Current Directorate	Capital Adjustments
	£'000
Non Housing	(284)
Housing	(0)
Total	**(284)**

3.6 **That the Quarter 2 Capital Monitoring in section 13 be noted.**

3.7 **To note the Council has secured additional grant funding (DELUCH LAHF 2) which will enable the budget increase of the Council's Temporary Accommodation investment by £1.55m to £5.75m.**

3.8 **To authorise the sale of the freehold of 234-238 Mare Street London E8**

1HE, (as described for information purposes only in Appendix 2).

3.9 **To delegate authority to the Interim Group Director of Finance to agree all commercial terms of the transaction.**

3.10 **To delegate authority to the Acting Director of Legal, Democratic and Electoral Services to settle, agree and enter into all documentation necessary for this transaction.**

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 and to approve the property proposals 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.

4.4 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** The property is in need of significant investment and to facilitate that the Council obtained a planning permission for the partial extension, partial demolition and partial refurbishment of the premises.

4.5 It is not financially feasible for the Council to undertake direct development, and such an approach would require resources that could be applied more productively to other schemes to be diverted to this and carries with it significant risks for little gain.

4.6 Similarly procuring a developer would be problematic for a development of this size and very likely a futile course of action, without lowering the risk profile to the Council significantly.

4.7 Due to the risk of squatting the property is costing the Council approximately £160,000 pa on security charges and c. £7,000 on utility bills.

4.8 With no realistic prospect of the Council developing the premises and holding costs of approximately £167,000 pa, disposal of the property will achieve a capital receipt and stop a considerable loss on the revenue budget.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** The Council has considered the possibility of direct development of this site as a housing regeneration scheme. Officers have considered it as a policy-compliant 50% affordable housing option and a 100% Hackney Living Rent (intermediate rent) option.

5.2 The conclusion of this exercise was that at nine dwellings the site is at the smaller end of the Council's programme and would consume disproportionate staff resources for a limited outcome.

5.3 The financial return using standard Housing Regeneration assumptions indicates a loss for all options, and generally a weaker value for money indication than the Regeneration portfolio.

5.4 The Council would be exposed to a significant construction and development risk at a time when there is great uncertainty in the market.

5.5 There is a substantial reputational risk linked largely to the construction risk and the fall out should something go wrong, particularly in the context of the adjacent listed terrace. The Council would also be responsible for the full after care of all the residential properties.

5.6 The Council has also considered the possibility of procuring a developer.

5.7 This would follow a model similar to that adopted for Dalston Lane Terrace (DLT) whereby the chosen developer would be obliged to build out the scheme as consented and take the risk of construction onto themselves. Their reward would be to sell the residential units, whilst the Council could either take money or a mixture of the money and the commercial space in payment. The Council taking the letting risk of the commercial space on would make the site much more attractive to residential developers and could even go so far as to fund the construction of the commercial space in return for a larger share payment at completion.

5.8 This approach has some resource implications in running a procurement process with close involvement thereafter and it does provide a fair amount of flexibility prior to the start of procurement. Procurement may be an issue though as developers who are both sufficiently experienced in this type of development but small enough to be interested who are prepared to go through that process simply may not exist. The types of developer who may be interested will probably mean a departure from the DLT model where close control was exercised by not giving an interest in the land until practical completion. The size of the firm likely to come forward would probably not have sufficient resources to be able to finance the build without borrowing and that would mean granting an interest in the land at the outset.

5.9 There is significant doubt that any firm of the size where this development might be of interest to them and who would be prepared to enter into the procurement process necessary and who has recourse to sufficient funds to build this without the need for borrowing exists. If the Council embarked on this course there is a very real chance that no suitable firm would be forthcoming causing more delay, holding costs and deterioration of the building.

5.10 This approach does mitigate risk to some degree, with the developer owning both the construction and the development risk, but the reputational risk of a failed development would still sit largely with the Council.

5.11 Officers also considered a structure whereby a developer was under no obligation to build but if they did they would be obliged to develop out the consented scheme. This has the advantage of avoiding a formal procurement and so opening up the market but comes with risks that without any obligation to develop, the developer may choose not to and at the end of the contract, could choose to walk away leaving the Council in a position where it currently is but with a great deal more time passed.

5.12 The final option is maintaining the building empty, which is in effect the absence of a decision and would leave the Council with the security bill of approximately £160,000 pa, and the ongoing costs of looking after a deteriorating asset, and the opportunity cost to the Town Centre of an inactive building.

6. BACKGROUND

6.1 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** Most of the premises at 234-238 Mare Street were until 2012 occupied by the Citizens Advice Bureau who consolidated several offices in Hackney to new Council owned premises at 300 Mare Street. The building was subsequently let to a training organisation on a short term basis but has been occupied by guardians from 2015 to 2022 and more recently protected by security from the possibility of occupation by squatters.

6.1.1 The premises are formed of three interlinked terrace houses much altered since their initial construction on the corner of Mare Street and Paragon Road.

6.1.2 The buildings whilst structurally sound now require a complete refurbishment to bring them up to modern standards and to make better use of the space available.

6.2 Policy Context

6.2.1 The report to recommend the Council Budget and Council Tax for 2023/24 considered by Council on 27 February 2023 sets out the original Capital Plan for 2023/24. Subsequent update reports considered by Cabinet amend the Capital Plan for additional approved schemes and other variations as required.

6.3 Equality Impact Assessment

6.3.1 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** The planning permission as granted requires the two houses fronting Paragon Road to meet Building Regulations Optional Requirement Part M4 (2) 'accessible and adaptable dwellings' and the commercial space is fully accessible.

6.3.2 A sale leading to the implementation of the proposal will lead to an improvement in the accessibility of these buildings.

6.4 **Sustainability and Climate Change**

6.4.1 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** The planning permission if implemented will result in nine extra dwellings built to modern standards whilst retaining the existing structure and therefore this proposal is inherently sustainable.

6.5 **Consultations**

6.5.1 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** No formal consultations are associated with this proposal save for the statutory planning consultations.

6.6 **Risk Assessment**

6.6.1 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** The Council Officers obtained planning permission for the redevelopment of the premises in 2021 and would ideally like to see the consented scheme implemented. Sale of the property would leave the new owner in control of any future development including implementing, or not, the consented scheme.

6.6.2 The Council is the Local Planning Authority and makes its planning decisions based on adopted policy. Any new application made by a purchaser would have to meet those policies in the round and so whilst it is likely that a purchaser would seek to change the development permitted to meet its assessment of how the site is best developed this will always be in the context of planning policy.

6.6.3 The sale proposed by this report may prove challenging; there is a great deal of uncertainty in the market with rising construction costs and a lack of confidence in the private residential market caused by rising interest rates. It appears that interest rates may have peaked and that the volatility in the construction market may be subsiding, which may calm nerves albeit the consequence of the last year of inflation pressures has been a higher cost base coupled with softer prices.

7. COMMENTS OF THE INTERIM GROUP DIRECTOR, FINANCE

7.1 The gross approved Capital Spending Programme for 2023/24 currently totals **£250.496m (£136.654m non-housing and £113.842m 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 The recommendations in this report will result in a revised gross capital spending programme for 2023/24 of **£210.723m (£107.576m non-housing and £103.147m housing).**

Current Directorate	Revised Budget Position	Nov 2023 Cabinet	Capital Adjustments	Re-profiling 23/24	Updated Budget Position
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive's	749	0	0	(383)	366
Adults, Health & Integration	2,447	0	(283)	(523)	1,641
Children & Education	18,633	0	0	(5,044)	13,590
Finance & Corporate Resources	73,310	1,550	0	(11,857)	63,002
Climate, Homes & Economy	41,515	150	(1)	(12,687)	28,977
Total Non-Housing	**136,654**	**1,700**	**(284)**	**(30,495)**	**107,576**
Housing	113,842	167	(0)	(10,862)	103,147
Total	**250,496**	**1,867**	**(284)**	**(41,356)**	**210,723**

7.4 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** This report formally recommends authorisation for the sale of the freehold property 234 -238 Mare Street, London E8 1HE.

7.5 It is imperative to note that this property forms part of the Council's commercial portfolio and has been under the occupation of guardians from 2015 to 2022. Notably, the Council has recently incurred an annual expenditure of approximately £160,000 to maintain 24-hour security measures, aimed at deterring unauthorised occupants, including potential squatters. Moreover, void costs associated with maintaining this property in a vacant state have also been incurred.

7.6 In order to render this property suitable for leasing, a substantial capital investment is required. The Council had previously pursued development plans and obtained planning permissions in 2021; however, at this moment in time, carrying out this development project is not financially viable for the Council.

7.7 The sale of this property shall generate a capital receipt, which will serve to bolster the financial resources allocated to projects within the Council's capital programme. Moreover, this transaction will alleviate the financial burden stemming from the current void costs, which are adversely affecting the Council's revenue budget.

8. VAT IMPLICATIONS ON LAND AND PROPERTY TRANSACTIONS

8.1 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** On the basis that the Council has not opted to tax the building the freehold sale will be exempt from VAT, so any VAT you incur on costs attributable to the sale, i.e. the legal costs, any works on the property prior to sale etc will need to be included in the Council's Partial Exemption calculation.

9. COMMENTS OF THE ACTING DIRECTOR OF LEGAL, DEMOCRATIC AND ELECTORAL SERVICES

9.1 The Interim Group Director, Finance 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.

9.2 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.

9.3 Proposals for capital spending shall be submitted to Cabinet for acceptance into the capital programme recommended to Full Council for adoption (paragraph 2.17, Financial Procedure Rule FPR2, Section A, Part Five of the Council's Constitution).

9.4 Once the capital programme has been approved, Cabinet exercises control over capital spending and resources and may authorise variations to the capital programme provided such variations are within available resources and are consistent with Council policy (paragraph 2.18, Financial Procedure Rule FPR2, Section A, Part Five of the Council's Constitution).

9.5 Section 106 Town and Country Planning Act 1990 permits anyone with an interest in land to enter into a planning obligation which is then enforceable by the local planning authority. Planning obligations are private agreements intended to make acceptable developments which would otherwise be unacceptable in planning terms. Frequently such obligations require the payment of a financial contribution to compensate for the loss or damage created by the development or mitigate against the development's impact. Local authorities must have regard to the legal tests laid down in Regulation 122 of the Community Infrastructure Levy Regulations 2010 prior to requiring a developer to enter into a s106 obligation. Hackney Council approved the Planning Contributions Supplementary Planning Document on 25 November 2015 under which contributions are secured. Once completed, s106 agreements are legally binding contracts and financial contributions can only be used for the purposes specified within the obligation itself.

9.6 The Council also receives payments under the Community Infrastructure Levy Regulations 2010 based upon the Council's adopted charging schedule adopted in 2015 (this is separate to the Mayor of London's CIL). The Council's adopted Regulation 123 list details the infrastructure that the payments received will be spent upon. In addition, there is a neighbourhood element to CIL and areas where development is taking place will receive a proportion of the receipts to be spent in local neighbourhoods, this includes the Hackney Community Fund.

9.7 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** The recommendation in paragraph 3 of this Report is a key decision under Regulation 8 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 as it is an executive decision, which is likely (a) to result in the relevant local authority incurring expenditure which is, or the making of savings which are, significant having regard to the relevant local authority's budget for the service or function to which the decision relates; or (b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority. Key decisions can be made by Cabinet under Article 13.6 of the Constitution.

9.8 Section 123(1) of the Local Government Act 1972 provides the Council with the power to dispose of land and property, subject to Secretary of State consent, provided such disposal is made for the best consideration reasonably obtainable. The General Disposal Consent 2003 removes the requirement for local authorities to seek specific consent from the Secretary of State for any disposal of land where: the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of: (i) the promotion or improvement of economic well-being; (ii) the promotion or improvement of social well-being; (iii) the promotion or improvement of environmental well-being; and the "undervalue" (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2 million or less.

9.9 Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for a specific consent is required. The General Consent Order 2003 also specifies that it is the responsibility of the Council to satisfy itself that the land is held under powers which permit it to be disposed of under the terms of the 1972 Act which in this case is applicable depending on the valuation.

9.10 Provided the above mentioned requirements are satisfied, which they appear to be, and in particular the sale price does not result in an undervalue of more than £2m, the proposed course of action represents the best outcome for the Council both financially and in terms of future responsibility and reputational risk.

9.11 There is no perceived legal reason why the recommendations in this report should not be endorsed.

10. COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

10.1 **Proposed Disposal of 234-238 Mare Street, London, E8 1HE:** The proposal is to offer the freehold of these premises for sale as there is no realistic prospect of the Council bringing forward a development on this site in a reasonable timeframe, whilst at the same time there is a large carrying cost to owning the site.

10.2 The Council has added value to the site by establishing residential use over the first and second floors, along with an upwards extension and two new houses on Paragon Road.

10.3 Private developers are likely more nimble than a local authority and whilst there can be no guarantees in the current market the site should gain interest from smaller builder developers, albeit they are likely to seek to alter the existing planning permission.

10.4 Advertising the premises for sale in such a fashion that is commensurate for the size of the opportunity is the best way to determine the market value of the premises and so as long as the marketing of this property is undertaken in such a fashion and offers and any conditions attached to them are weighed against one another taking into account market conditions and the ability of bidders to perform, then a sale will meet the requirements of Section 123 of the Local Government Act 1972.

11. FOR APPROVAL

11.1 CIL Revenue for approval

11.1.2 CIL Resource and Spend approval is requested for **£123k in 2023/24** of revenue funding to be financed by CIL contributions. This project to be carried out is in accordance with the CIL regulations.

Project Description	2023/24 £'000
Carnival 2024	123,000
Tota CIL Revenue for Approval	**123,000.00**

This capital expenditure is to enable the Council's Culture Team to initiate planning for the Hackney Carnival 2024. The Council has committed to delivering the Hackney Carnival in 2024. Receiving the funding this financial year means that we can contract partners much earlier, enabling planning to start six months earlier than at the start of April 2024. This planning will include an artistically stronger, more accessible carnival with good fundraising opportunities and embedding and consolidating community partnerships. The Culture team's carnival programme is delivered with a wide range of third sector partners, as follows:

- 16 Hackney-based grassroots carnival groups will be commissioned to deliver a carnival showcase and an ambitious community engagement programme

- Unappointed artistic director
- Unappointed event management company
- The carnival will also employ a wide range of artists and creative organisations to develop a relevant programme for local communities

The project will support the aims of the borough's Arts and Cultural Strategy and will deliver on all five of the strategy's themes: community cohesion, education, health and wellbeing, employment and the economy.

11.2 S106 Capital for approval

11.2.1 S106 Capital Resource and Spend approval is requested for **£500k (£167K in 2023/24, £167k in 2024/25 and £167k in 2025/26)** of capital funding to be financed by S106 contributions. This project to be carried out is in accordance with the terms of the appropriate S106 agreements.

Agreement No.	Project Description	Site Address	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total
2010/2500	Woodberry Down Cultural Plan	Woodberry Down Estate (Kick Site Start-KSS1)	10	0	0	10
2011/3014		Woodberry Down Kick Start Site 4 (Newton Close & Block 21 (Phase 3a) N4	9	0	0	9
2012/3693		Woodberry Down Kick Start 3	147	167	167	480
Tota S106 Capital for Approval			**167**	**167**	**167**	**500**

This capital expenditure is to enable the Council's Officers to commence Phase 4 of the Woodberry Down Cultural plan. Phase 4 sets out a strategy and implementation plan which will provide opportunities for the community at Woodberry Down to come together to participate in creative and cultural activity. It is intended that cultural projects will bring the community together and support community cohesion. Phase 4, includes the 'central square', which will form the heart of Woodberry Down, the cultural strategy and creative projects will help embed the space as representative of Woodberry Down's unique identity, heritage and diverse communities. A number of opportunities for creative projects have been identified which will focus on key areas: The Public Realm and activation - additionality to the built environment and animation of the Central Square. Public Art - integrated bespoke artworks that add character and are co designed and developed with community involvement. The cultural projects will also embed opportunities to support the local economy, local employment, health and well being and education. Outcomes will be measured in terms of increased footfall, as well as improvements in the numbers of residents engaging in cultural/heritage activities, impactful volunteering, and improved perceptions of amenities.

A cultural Lead Officer is to be appointed who will take forward the oversight and responsibility for the delivery of the Cultural plan. This will be a part time post 2.5 days per week. Total cost over 3 years £104,883. This will be funded using UK SPF (Levelling up) revenue secured from the GLA with a small top up from S106. The balance of the S106 funding will be used on the proposed cultural projects:

No	Project	Project Description	Estimated Cost
1	Central Square	A new library and a vibrant active community hub space are proposed for the Central Square. Opportunities for co-located facilities, outdoor seating and areas for indoor/outdoor performances (e.g. anchor artwork, drinking fountain etc.)	£300k
2	Pocket Park Mural	Community mural onto southern pocket park wall	£50k
3	Building and wayfinding signage	Tiled signage treatment for residential entrances / road names	£40k
4	St Olav's Boundary Wall/play	Deliver Public Art uplift	£50k
5	Community Engaged artist project on Nature/Food	Project on Nature/Food	£25k
6	Woodberry Sessions	Kick start drop in community engagement sessions	£30k

The cultural projects will also embed opportunities to support the local economy, local employment, health and well being and education.

12. FOR NOTING

12.1 S106 Capital for Noting

The s106/CIL Corporate Board Meeting dated 19 December 2022 and 18 September 2023 considered and approved the following bids for resource and spend approval. As a result **£150k in 2023/24** was approved to spend in accordance with the terms of the appropriate s106 agreements.

Agreement No.	Project Description	Site Address	2023/24 £'000
2020/1546	Highway Wk 61 Queens Drive, London, N4 2BG	61 Queens Drive, London, N4 2BG	5
2018/0279	Tree Planting 291 Hackney Rd	291 Hackney Road, London, E2 8NA	23
2016/0613	Tree Planting 208 Cassland Rd	208 Cassland Road, London, E9 5AJ	11
2017/3600	Tree Planting 130 Kingsland High St	130 Kingsland High Street, Hackney, London, E8 2NS	3
2017/2373	Tree Planting Garnham St Car Park	Garnham Street, Car Park Garnham Street, London, N16 7JA	23
2018/2783	CCTV for Kingsland Road	337-359 Kingsland road	85
Total Capital S106 for Noting			**150**

13. Q2 Capital Monitoring

This is the second OFP Capital Programme monitoring report for the financial year 2023/24. The actual year to date capital expenditure for the six months April 2023 to September 2023 is **£29.2m** and the forecast is currently **£209.6m**, £40.4m below the revised budget of **£250m**. This represents a forecast of 67% of the approved budget of £307m, approved by Cabinet in February 2023 (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. A total of £41.4m (phase 2 re-profiling) will be transferred to future years as set out in Appendix 1. A summary of the forecast and phase 2 re-profiling by directorate is shown in the table below along with brief details of the reasons for the major variances.

Table 1 Summary of the Capital

Capital Programme 2023/24	Budget Set at Feb Cab 2023	Budget Position at Sept 2023	Spend	Forecast	Variance (Under/Over)	Capital Adjustments	To Re-Profile 2023/24	New Bids	Updated Budget Position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive's	2,310	749	0	350	(399)	0	(383)	0	366
Adults, Health & Integration	2,166	2,447	290	1,641	(806)	(283)	(523)	0	1,641
Children & Education	14,422	18,633	4,595	13,426	(5,208)	(0)	(5,044)	0	13,589
Finance & Corporate Resources	30,339	38,330	4,785	33,946	(4,384)	0	(4,610)	65	33,785
Mixed Use Development	63,113	34,915	99	28,356	(6,559)	0	(7,247)	0	27,668
Climate, Homes & Economy	37,093	41,101	6,700	28,289	(12,812)	(1)	(12,687)	731	29,143
Total Non-Housing	**149,443**	**136,175**	**16,469**	**106,008**	**(30,167)**	**(284)**	**(30,495)**	**795**	**106,192**
AMP Housing Schemes HRA	51,408	50,116	10,488	46,313	(3,803)	(0)	(3,803)	0	46,313
Council Schemes GF	2,621	5,886	2,409	6,524	637	0	0	0	5,886
Private Sector Housing	2,031	1,702	750	1,620	(82)	0	(82)	0	1,620
Estate Regeneration	55,713	26,174	995	20,689	(5,485)	0	(5,485)	0	20,689
Housing Supply Programme	33,048	21,153	882	19,732	(1,421)	0	(1,393)	0	19,760
New Homes	0	633	16	633	0	0	0	0	633
Woodberry Down Regeneration	12,772	8,178	(2,779)	8,079	(99)	(0)	(99)	0	8,079
Total Housing	**157,593**	**113,842**	**12,760**	**103,589**	**(10,253)**	**(0)**	**(10,862)**	**0**	**102,981**
Total Capital Budget	**307,036**	**250,018**	**29,229**	**209,597**	**(40,420)**	**(284)**	**(41,356)**	**795**	**209,173**

<u>CHIEF EXECUTIVE'S</u>

The current forecast for the overall Chief Executive's is £350k, £399k below the in-year revised budget of £750k. Below is a brief update on the main variance:

CX Directorate Capital Forecast	Budget Set at Feb Cab 2023		Budget Position at Sept 2023	Spend	Forecast	Variance
	£000		£000	£000	£000	£000
Libraries and Archives	2,310		749	0	350	(399)
Total Non-Housing	**2,310**		**749**	**0**	**350**	**(399)**

Stoke Newington Library (Refurbishment) - The forecast is £126k, £224k below the respective in-year budget of £350k. The spend is less than expected because of delays caused by a decision to reprogram some consultation, and the current lack of clarity as to whether an application for short for funding is likely to be approved. Therefore the underspend will be re-profiled to the 2024/25 budget to reflect the timeframe of the project.

ADULTS, HEALTH AND INTEGRATION

The overall forecast for Adults, Health and Integration is £1.6m, £0.8m below the respective in-year budget of £2.5m. Below is a brief update on the main variance:

AHI Directorate Capital Forecast	Budget Set at Feb Cab 2023		Budget Position at Sept 2023	Spend	Forecast	Variance
	£000		£000	£000	£000	£000
Adults, Health and Integration	2,166		2,447	290	1,641	(806)
TOTAL	**2,166**		**2,447**	**290**	**1,641**	**(806)**

Hackney Mortuary (Refurbishment) - The forecast is £0.6m, £0.5m below the respective in-year budget of £1.1m. This project is the refurbishment and remodelling works to modernise and upgrade the existing facilities to current standards and provide additional capacity to reduce the reliability on 'off-site' facilities. The tenders have been returned and the contract award is currently being prepared for selected contractors. The 'start on site' date for works was pushed back to January 2024 to allow for the Mortuary to remain operational over winter/Christmas period. The variance will be re-profiled to the 2024/25 budget to reflect the likely timeframe of the project.

CHILDREN AND EDUCATION

The current forecast is £13.4m, £5.2m below the in-year revised budget of £18.6m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2023		Budget Position at Sept 2023	Spend	Forecast	Variance
	£000		£000	£000	£000	£000

Children & Family Services	0		152	0	152	0
Education Asset Management Plan	6,937		6,676	994	3,054	(3,621)
Education Sufficiency Strategy	0		5	0	5	0
SEND and Other Education	1,036		2,122	626	1,607	(515)
Primary School Programmes	4,121		7,017	2,060	6,567	(450)
Secondary School Programmes	2,328		2,662	914	2,041	(621)
TOTAL	**14,422**		**18,633**	**4,595**	**13,426**	**(5,208)**

Children & Family Services

There is no material variance.

Education Asset Management Plan

The forecast for the overall Education Asset Management Plan is £3.1m, £3.6m below the in-year respective budget of £6.7m. Below is a brief update on the main variances:

Development AMP - The forecast is £0.05m, £0.7m below the in-year respective budget of £0.75m. This budget is the reactive budget to support the overall AMP programme and this forecast is based on the programme of works expected this financial year. The underspend will fund identified overspends in the overall programme.

Ann Taylor Children's Centre (Roof Replacement) - The forecast is £0.2m, £0.6m below the in-year respective budget of £0.8m. This forecast reflects the expenditure expected this financial year. The tenders have been returned. The project team will review the tender estimates for the scope of works. The underspend will be re-profiled to the 2024/25 budget to reflect the timeframe of this project.

Millfields PS AMP (Boiler & Roof Replacement) - The forecast is £0.1m, £0.8k below the in-year respective budget of £0.9m. This project is in the early initial stages. The tender estimates and additional works highlighted by the project team has resulted in a review of the overall scope. The majority of the works will start in 2024/25 so the budget will be reprofiled next year.

Daniel House AMP - The forecast is nil spend against the in-year respective budget of £0.5m. The project has been reviewed and there are no further works planned this financial year. It was agreed the remaining budget will fund the SEND works for the creation of Additional Resourced Provision at Daniel House. As these works are planned for future years the remaining AMP budget will be transferred to the SEND budget and re-profiled to next year to reflect the likely timeframe of the project.

Education Sufficiency Strategy

There are no material variances.

SEND and Other Education Services

The forecast for the overall SEND and Other Education Services is £1.6m, £0.5m below the in-year respective budget of £2.1m. Below is a brief update on the remaining significant variance:

Sebright SEND Daniel House SEND, The Bridge Academy SEND and Comet CC SEND - The forecast is £0.3m, £0.7m below the in-year respective budget of £1m. This project is funded by the Government National High Needs grant to support the delivery of new places and improve existing provision for children and young people with special educational needs and disabilities or who require alternative provision. This project is to develop plans for Additional Resource Provision (ARP) at all of these sites. This project is in the early initial stages of feasibility, procurement and design. The construction will start in 2024/25, therefore, the variance will be re-profiled.

Primary School Programmes

The forecast for the overall Primary School Programme is £6.6m, £0.5m above the in-year respective budget of £7m. Below is a brief update on the main variances:

Woodberry Down Children Centre (Extension and Full Refurbishment) - The forecast is £3m, £0.3m above the in-year respective budget of £2.7m. The impact assessment of the 'variation of work' to the redesign of roof structure has now been completed resulting in an overall increase in costs. The overspend will be funded by identified underspends across the programme.

Mandeville (Facades Work) - The forecast is £0.7m, £0.4m below the in-year respective budget of £1.1m. The forecast relates to the variation of work for the additional Health and Safety works to the roof. By next quarter the team will review and determine the impact of the 'revision of the scope of works' to the overall costs. The budget 2024/25 will be brought back to cover this overspend.

William Patten (Facades Work) - The forecast is nil spend of the in-year respective budget of £0.5m. The Contract was recently awarded. The proposed works will be completed by the end of quarter 3. It is anticipated the costs will come through towards the end of the financial year therefore the variance will be re-profiled to the 2024/25 budget.

Secondary School Programmes

The forecast for the overall Secondary School Programmes is £2m, £0.6m below the in-year respective budget of £2.7m. Below is a brief update on the main variance:

Lifecycle Works (Early Failure/Reactive) Contingency Budget - The forecast is £0.9m, £0.4m below the in-year respective budget of £1.3m. This is the contingency budget to support the overall programme and support the capitalisation of project manager direct costs, emergency and health and safety schemes across the programme in the year. Part of the budget will be used to fund identified overspends across the programme and the remaining budget will be re-profiled to 2024/25 to support future works.

FINANCE AND CORPORATE RESOURCES

The forecast for the overall Finance and Corporate Resources is £62.3m, £10.9m below the in-year respective budget of £73.2m. More detailed commentary is outlined below.

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2023	Budget Position at Sept 2023	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Property Services	19,211	20,796	4,285	19,264	(1,531)
ICT	1,383	2,695	164	2,695	(0)
Other Schemes	8,640	9,534	336	7,006	(2,528)
Temporary Accommodation	1,105	5,305	0	4,980	(325)
Total	**30,339**	**38,330**	**4,785**	**33,946**	**(4,384)**
Mixed Use Development	63,113	34,915	99	28,356	(6,559)
TOTAL	**93,452**	**73,245**	**4,884**	**62,302**	**(10,943)**

Strategic Properties Services - Strategy & Projects

The forecast for the overall Strategic Properties Services is £19.3m, £1.5m below the in-year respective budget of £20.8m. Below is a brief update on the main variances:

DDA (Disability) Capital Works - The forecast is £196k, £150k below the in-year respective budget of £346k. This forecast reflects the works expected this financial year. This budget will be used by the Council's Compliance Team for all the surveys, emergency and equality works on all the Council's Core Campus buildings. The variance will be re-profiled to support future works in 2024/25.

Stoke Newington Town Hall and Assembly Hall Refurbishment Works - The forecast is £0.7m, £0.3m below the in-year respective budget of £1m. This forecast reflects the works expected this financial year. The Project Manager is expecting further works for extended scaffolding works, structural support works, further works on the ceiling and asbestos removal works. The variance will, therefore, be re-profiled to the 2024/25 budget to support the continued works.

Voluntary and Community Sector Fire Risk & Remedial Works (General Fund) - The forecast is £0.8m, £0.8m below the in-year respective budget of £1.6m. The team is progressing with the schedules, although some of the sites are being subjected to an additional level of scrutiny to ensure the spend is warranted, and that the site has a future within the VCS portfolio. Any works that have been identified as a high risk/priority 1 under the CIPFA, building condition survey or Fire Risk Assessment will still be progressed and is part of the forecast spend for 2023/24. The variance will be re-profiled to the 2024/25 budget to reflect the actual spend for the works identified.

ICT Capital

There is no material variance.

Corporate Resources Other Schemes

The forecast for the overall Corporate Resources Other Schemes is £7m, £2.5m below the in-year respective budget of £9.5m. Below is a brief update on the main variance:

PSDS3b - Decarbonisation - The forecast is £6m, £2.3m below the in-year respective budget of £8.4m. This project for energy efficiency improvement works on 8 Council buildings is funded by Government grant. This forecast reflects the estimated spend expected this financial year. There is a delay in the signing of the JCT contracts. It is agreed but the Contractor has to get two signatures from their parent company which was delayed by a Director leaving thus causing the variance. The Project Manager is chasing the contractor hard to resolve this. The remaining budget will be re-profiled to the 2024/25 budget to reflect the anticipated programme of spend.

Temporary Accommodation

The forecast for the overall Temporary Accommodation is £0.8m, £4.5m below the in-year respective budget of £5.3m. Below is a brief update on the main variance:

Temporary Accommodation Investment - The forecast is nil spend against the in-year respective budget of £4.2m. This acquisition is delayed as the PM is awaiting an update in regards to grant expiry date. The budget has been re-profiled to the 2024/25 budget as it is anticipated this may not happen this financial year. Should the purchase materialise earlier the 2024/25 budget will cover the overspend.

Mixed Use Developments

The forecast for the overall Mixed Use Developments is £28.4m, £6.6m below the in-year respective budget of £34.9m. This forecast largely relates to the

Britannia site as Tiger Way and Nile Street are now complete with only retention and final payments due.

Britannia Site - The remaining budget for Phase 1a (new Leisure centre) and Phase 1b (CoLASP) is for retention payments and some small expenditure for consultants wrapping up defects. Phase 2b (Residential Private & Social Housing) now in contract with the Design and Build contractor. The payments for CIL and S106 have been reprofiled to the 2024/25 budget as per the payment plan.

CLIMATE, HOMES & ECONOMY

The overall forecast in Climate, Homes & Economy is £28.3m, £12.8m under the revised budget of £41.1m. More detailed commentary is outlined below.

Climate, Homes & Economy Capital Forecast	Budget Set at Feb Cab 2023	Budget Position at Sept 2023	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Leisure, Parks & Green Spaces	17,220	15,824	3,154	12,251	(3,572)
Streetscene	14,991	21,816	2,245	12,642	(9,173)
Environmental Operations & Other	1,287	676	22	676	0
Public Realms TfL Funded Schemes	0	0	994	(0)	(0)
Parking & Market Schemes	1,457	926	0	637	(289)
Community Safety, Enforcement & Business Regulations	670	704	64	704	0
Regeneration & Economic Development	1,468	1,156	222	1,379	223
Total	**37,093**	**41,101**	**6,700**	**28,289**	**(12,812)**

Leisure, Parks and Green Spaces

The forecast for the overall Leisure, Parks and Green Spaces is £12.3m, £3.6m below the in-year respective budget of £15.8m. Below is a brief update on the main schemes causing the variances:

Kings Hall Leisure Centre (Refurbishment): The forecast is £3m, £0.6m below the in-year budget of £3.6m. Survey work continues. The Design Team continues to close RIBA Stage 2 and then progress with RIBA Stage 3. The spend on the remedial works will be £0.5m to cover the design team fees and Pre-Construction Services Agreements (PCSA) for contractors and a £0.5m contingency budget to cover any emergency repairs that are needed. The remainder of the budget will be re-profiled into next year.

Essential Maintenance to Leisure Facilities: The forecast is £1.2m, £0.5m below the in-year budget of £1.7m. This budget is held for reactive maintenance in the

Council's leisure facilities. This forecast reflects the works expected this financial year. The remaining budget will be re-profiled to the 2024/25 budget to fund further maintenance and repair works to the Council's leisure facilities as and when required.

Play Area Refurbishments: The forecast is £0.8m, £0.8m below the in-year budget of £1.6m. This project is Phase 2 of the Park Play refurbishments in Hackney Downs, Clapton Common, Stonebridge Gardens and Well Street Common and Phase 3 refurbishment of park play areas in London Fields (x2), Clissold Park and North Millfields. The project is at the design and planning stage with construction to commence in January 2024. The works were delayed slightly due to having to 'value engineer' some elements. There were also delays due to UKPN issues at Hackney Downs. The majority of the spend will take place once the contractor is appointed, therefore, the variance will be re-profiled to 2024/25 to reflect the programme construction start date.

Abney Park Restoration Project - The forecast is £1.9m, £0.7m below the in-year budget of £2.6m. This joint restoration project is now complete and the remaining budget is for retention payments. The park now has new community spaces, a new cafe, boosted biodiversity, restored the grade II listed chapel and improved park's access. The variance has been re-profiled to reflect the agreed schedule of the retention payments.

Streetscene

The forecast for the overall Streetscene is £12.6m, £9.2m below the in-year respective budget of £21.8m. Below is a brief update on the main schemes causing the variances:

Pembury Circus Improvement Works & Amhurst Rd - The forecast is £0.5m, £4.3m below the in-year budget of £4.8m. The spend is less than forecasted in Quarter 1 as this project is connected to the Levelling up Scheme for Hackney Central which has had a delay. It is expected to commence in 2024/25 so the budget has been reprofiled to anticipate this new start date.

Colvestone Crescent - The forecast is £0.05m, £0.5m below the in-year budget of £0.6m. Due to ongoing consultation on the closure of Colvestone School the consultation has been delayed to December. The project is expected to commence in 2024/25 so the majority of the budget has been re-profiled to anticipate this new start date.

Public Realm at The Stage - The forecast is £0.05m, £0.5m below the in-year budget of £0.6m. This project is a multi year project. As part of the agreement it spans over many years as phases are completed and works are carried. The majority of the phases are due to be completed in 2024/25 so the budget has been re-profiled accordingly.

Environmental Operations & Other

There is no material variance.

Parking & Market Schemes

The forecast for the overall Parking & Market Schemes is £0.6m, £0.3m below the in-year respective budget of £1.3m. Below is a brief update on the main scheme causing the variance:

Hackney Street Markets Strategy - The forecast is nil spend against the in-year respective budget of £0.3m. The proposals under the markets strategy plan are still under formulation and any schemes will not come forward until 2024/25. The variance will, therefore, be re-profiled to the 2024/25 budget to recognise this change.

Community Safety, Enforcement & Business Regulations

There is no material variance.

Regeneration & Economic Development

The forecast for the overall Regeneration & Economic Development is £1.4m, £0.2m above the in-year respective budget of £1.2m. Below is a brief update on the main schemes causing the variances:

Dalston & Hackney Town Centre Sites - The forecast is £0.4m, £0.1m above the in-year respective budget of £0.3m. The Town Centre Sites programme is conducting feasibility studies on 9 sites in Council ownership across Hackney Central and Dalston, with the aim of developing a viable portfolio of sites to take forward for development, and securing approval for delivery strategy for those sites. The spend in the year mainly relates to Architects, Quantity Surveyor services and Development Advice, as options on all of the sites are appraised. Once options have been considered, then a decision will be made on which sites will progress. Further capital bids will need to be submitted for all sites that move forward past the feasibility stage.

Morning Lane Commercial and Cultural Hub - The forecast is £0.1m above the nil in-year respective budget. This project is part of the Levelling Up Fund (DLUHC) for Hackney Central and is in the early initial stages. The budget for this project was re-apportioned last quarter to fund Pembury Circus and Amhurst Road active travel and green corridor and Town Hall Square Transformation. There is minor over spend this quarter which relates to Design Development and internal staffing charges and the budget from the 2024/25 budget will be brought back to cover this expenditure.

HOUSING

The overall forecast in Housing is £103.6m, £10.3m below the revised budget of £113.8m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2023		Budget Position at Sept 2023	Spend	Forecast	Variance
	£000		£000	£000	£000	£000
AMP Housing Schemes HRA	51,408		50,116	10,488	46,313	(3,803)
Council Schemes GF	2,621		5,886	2,409	6,524	637
Private Sector Housing	2,031		1,702	750	1,620	(82)
Estate Regeneration	55,713		26,174	995	20,689	(5,485)
Housing Supply Programme	33,048		21,153	882	19,732	(1,421)
New Homes	0		633	16	633	0
Woodberry Down Regeneration	12,772		8,178	(2,779)	8,079	(99)
Total Housing	**157,593**		**113,842**	**12,760**	**103,589**	**(10,253)**

AMP Housing Schemes HRA

The overall scheme forecast is £46.3m, £3.8m below the in-year respective budget of £50.1m. Below is a brief update on the main schemes causing the variances:

HiPs Central - The forecast is £6m, £2m above the in-year respective budget of £4m. This will be funded by underspends from within the overall Capital programme. Seaton Point continues to be plagued with access issues; it has been extended several times, the latest completion date is December 2024 costing an estimated £6.1m. The projected final account is anticipated to be £10.1m. Works involve removing asbestos, replacing window frames that are non fire compliant, maintaining scaffolding infrastructure all of which have seen general price increases. Fermain Court is now complete and the final account is expected to be £2.6m, £1.6m higher than originally anticipated due to cost overruns on materials and delays in the supply chains.

HiPs North West - The forecast is £3m, £1m above the in-year respective budget of £2m. This will be covered by underspends from within the overall capital programme. The extended programme of kitchen and bathrooms at Lincoln Court will complete by October/November with final accounting estimated at £2m. The overall forecast includes two new items: a provision of £0.4m for outstanding fees to Wates in connection with Contract 1 (discussions on-going), and an estimate of £0.750m for Holcroft Street Properties (16 units).

Fire Risk Works - The forecast is £1m, £2m below the in-year budget of £3m. The forecast is reduced following longer delivery lead times in front entry doors (FEDs) sourced from Ireland. Stage 1 of the rollout remains 1,400 doors rising to 5,000 doors over the life of the programme. Both contractors (Equans and Chas Berger) expect to start their respective installations in mid Quarter 3.

Integrated Housing Management Systems (IT) - The forecast is £1.5m, £1.5m below the in-year budget of £3m. The forecast reflects estimated in-house recharges for the 'Modern Tools Programme' and capitalisation of anticipated

Revenue charges at the end of the year. No material allowances have been included within the forecast for the implementation of the new Housing system. This expenditure relating to this will become clearer later in the year, but at the current stage it is not expected to be significant during 2023/24.

Capitalised Salaries and Fees - The forecast is £4.7m, £0.4m below the in-year budget of £5.2m. The forecast includes estimated costs for staff engagement on capital works; consultancies in connection with Quantity Surveyors services and professional fees from the Social Housing Decarbonisation project. This forecast is at risk following the end of the capital works framework (Contract 1) and there is a need for continuing Quantity Surveyor services currently provided by MACE at daily rates. PAM currently has 31 vacancies.

High Value Repairs - The forecast is £2.9m, £0.1m below the in-year budget of £3m. This forecast is at risk, given the high volume of reactive work normally associated with winter months and the on-going absence of a ‘job-in job-out’ database. The latest review of costs suggests a possible outturn of £2.2m to £2.5m however, caution is advised regarding any reconciliation of invoices against job orders completed by external contractors. There are also plans to replace the entire ‘flat’ roof at Lakeside Court estimated at £0.4m, this is subject to an external tender.

Lateral Mains - The forecast is £0.8m, £0.9m below the in-year budget of £1.7m. The contractor needed more time to complete their quota of tests which included 138 blocks. This programme will roll into next year.

Street Lighting - The forecast is £0.5m, £0.4m below the in-year budget of £0.9m. The underspend reflects the current programme of works to upgrade lanterns and wall lighting across the borough. There is, however, a possible business case for additional works estimated at £0.5m but the timing of this report is uncertain.

Estate Lighting - The forecast is £520k, £350k above the in-year budget of £170k. This will be funded by underspends from within the overall Capital programme. The forecast reflects the current programme of works following the issue of a new LED works programme.

Lifts Major Components - The forecast is £300k, £300k below the in-year budget of £600k. Currently awaiting procurement and award of contract which is expected in mid 2025. The forecast is based on a recent assessment of repairs and their low values recorded during the first half of the year.

Drainage - The forecast is £60k, £140k below the in-year budget of £200k. This is largely reactive by nature and to date there have been no high value emergency works qualifying for capitalisation.

Play Equipment - The forecast is £310k, £290k below the in-year budget of £600k. This is largely reactive by nature and to date there have been no high value emergency works qualifying for capitalisation.

Roads & Footpaths - The forecast is £50k, £150k below the in-year budget of £200k. This is largely reactive by nature and to date there have been no high value emergency works qualifying for capitalisation.

Hardwire Smoke Alarms - The forecast is £0.6m, £0.3m below the in-year budget of £0.9m. Surveys are currently taking place to formalise a full programme to replace and enhance hard wire fire alarms and to ensure that legal safety standards are met over a mixture of large blocks and street properties.

Recycling Scheme - The forecast is £0.5, £0.3m below the in-year respective budget of £0.8m. Spend relates to phase 5 of the Recycling programme. 60% of the costs are expected to be incurred this financial year, with the works being finished in 2024/25.

Council Schemes GF

The overall forecast is £6.5m, £0.6m above the in-year respective budget of £5.9m. Below is a brief update on the main schemes causing the variances:

Temp Accommodation Voids Works - The forecast is £1.0m, £0.6m above the in-year respective budget of £0.4m. There is likely to be an overspend on this budget line, as the majority of all voids on Regen sites are still being utilised as TA due to the lack of overall accommodation in the borough. Each unit is checked on an individual basis to ensure that the works are financially viable before proceeding. Additional funding is likely to be requested from CASB later in the year, however it should be noted that any capital budget will be fully repaid over the remaining life of the unit, through rental income.

Purchase Leasehold Properties - The forecast is £5.2m, which is in line with the current budget. 4 units completed in the first half of 2023/24 relating to the Local Space deal, with a further 3 expected to complete before the end of the financial year which will conclude this arrangement.

Private Sector Housing Schemes

The forecast is £1.6m, which is in line with the current budget. The majority of the spend relates to disabled adaptation works, which are funded in full by the Disabled Facilities Grant (DFG). Any underspend against the grant will be utilised by Adult Social Care.

Estate Regeneration

The forecast is £20.7m, £5.5m below the in-year respective budget of £26.2m. Below is a brief update on the main schemes causing the variances:

Estate Renewal Implementation - The forecast is 10.4m, £0.1m below the in-year respective budget of £10.5m. A large portion of the forecast spend (£7.7m) relates to the Mayor of Hackney's Housing Challenge, where a number of large payments are expected this financial year. All of this spend is fully financed through RTB receipts. The remainder of the spend relates to capitalised staffing charges.

Kings Crescent 3&4 - The forecast is £2.0m, £2.3m below the in-year respective budget of £4.3m. The contract for this project has been signed and the cost optimisation period has begun, with a view to reducing costs and improving the viability of the project. Some of the budget has been re-profiled to future years to reflect the latest cash flow estimate.

Colville Phase 4,5,6 & 7 - The forecast is £2.0m, £0.2m above the in-year respective budget of £1.8m. 4 Buybacks are currently expected across these phases during the 2023/24 financial year, however this number may increase if sellers approach the council and therefore this number will be monitored throughout the year. If the units can be used as TA, 30% of the purchase price can be funded from RTB receipts.

Marian Court Phase 3 - The forecast is £2.1m, £0.6m below the in-year respective budget of £2.6m. The contract for this project has been signed and the cost optimisation period has begun, with a view to reducing costs and improving the viability of the project. Some of the budget has been re-profiled to future years to reflect the latest cash flow estimate.

Colville Phase 2C - The forecast is £2.6m, £1.0m below the in-year respective budget of £3.6m. The site is currently in a pre-construction services agreement (PCSA) phase with the preferred contractor. Final costs are imminent, but it is likely a further period of cost optimisation will be required before the project can progress and therefore the spend profile has been updated to reflect this. Demolition should all be complete by the end of the financial year.

Nightingale - All phases - The forecast is £0.8m, £1.7m below the in-year respective budget of £2.5m. The contract for this project has been signed and the cost optimisation period has begun, with a view to reducing costs and improving the viability of the project. Some of the budget has been re-profiled to future years to reflect the latest cash flow estimate. Additional funding is being sought from the GLA relating to the Social Rented units, which will improve viability.

Housing Supply Programme

The forecast is £19.7m, £1.4m below the in-year respective budget of £21.2m. Below is a brief update on the main schemes causing the variances:

Wimbourne Street and Buckland Street - The forecast is £16.4m, £1.0m below the in-year respective budget of £17.5m. The sites are now under contract and the works have started. The slight underspend compared to budget is due to the project being behind schedule compared to the Quarter 1 forecast, owing to the delayed delivery of major parts of the building fabric. This delay has been caused by the contractor and therefore no financial liability sits with the Council. It will cause a delay to handover and Liquid Ascertained Damages (LAD’s) will be applied to recover some of the loss where possible. The cash flow from the

Quantity Surveyors will be closely monitored for the rest of the year, as there is a risk that this could change again over the coming months.

Mandeville Street - The forecast is £0.5m, £0.3m above the in-year respective budget of £0.2m. An allowance has been made in the forecast for a claim from the contractor for an ‘extension of time’. This is currently being investigated with the Employers Agent and our Internal Legal team to confirm our liability and various options and legal routes are being considered.

De Beauvoir Phase 1 (Balmes Road, Down Road East/West, 81 Downham Road and Hertford Road) - The forecast is £0.2m, £0.2m below the in-year respective budget of £0.3m. Options appraisals have been carried out and the spend for the remainder of the year will relate to design development for the current preferred option. It is likely that this site will be procured and delivered alongside De Beauvoir phase 2 (below).

Frampton Park (Woolridge Way and Tradescant House) - The forecast is £0.1m, £0.2m below the in-year respective budget of £0.3m. Viability remains an issue on these sites and the spend in year mainly relates to the demolition of the community centre and consultants fees. Options are being considered to improve viability before going out to tender for a construction contractor.

New Homes Programme

There is no material variance.

Woodberry Down Regeneration

The forecast is £8.1m, £0.1m below the in-year respective budget of 8.2m. 37 ‘in phase’ Buybacks are required to complete before July 2025. 16 Buybacks have been estimated to complete during this financial year, with a large number likely to be used as Temporary Accommodation. These costs will be reimbursed by Berkeley Homes as part of their Land Assembly charges. The spend relating to these Buybacks is £6.5m and remainder of the spend relates to capitalised revenue charges.

APPENDIX

Appendix 1 - Re-profiling Phase 2 and Capital Adjustments

Appendix 2 - Site plan of 234-238 Mare Street, London, E8 1HE

BACKGROUND DOCUMENTS

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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