Title of Report	Capital Update and Property Disposals and Acquisitions Report	
Key Decision No	F S331	
For Consideration By	Cabinet	
Meeting Date	25 November 2024	
Cabinet Member	Cllr Robert Chapman, Cabinet Member for Finance, Insourcing and Customer Service	
Classification	Open with Exempt Appendix	
Ward(s) Affected	All	
Key Decision & Reason	Yes	Spending or Savings
Implementation Date if Not Called In	04 December 2024	
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 2024/25 budget. Through the proposals brought forward in this report throughout the year we demonstrate our commitment to meeting our manifesto pledges and to deliver against the Council's Strategic Plan.

1.2 This month we are seeking approval to invest £659K in two ICT schemes which are vital to the Council's transformation journey for improving services to our residents, and also deliver much needed savings for the Council. These investments in our Council Tax system and Social Care system will enable systems to be updated online either by residents themselves or Council staff supporting vulnerable residents, and these systems will be updated digitally thus reducing manual processing. In addition changes to circumstances will be updated immediately and therefore the service to residents will be improved. The Social Care system, Mosaic, includes necessary system enhancements to support initiatives in Adult Social Care and Children's Services, driven by new programmes. Significant opportunities exist to leverage AI for improved service delivery, including automation of tasks and increased data accuracy.

1.3 This month we are also recommending the granting of a new 10 year lease for Unit A, Residence Tower, Goodchild Road, N4 2LY to the current tenant. This property is currently leased to a sole trader who operates, Zer Cafe, which has a positive reputation within the Woodberry Grove community. The property is situated on the ground floor of the high-rise residential block known as Residence Tower and is held in the Housing Revenue (HRA). Renewing the lease at the terms set out in this report will facilitate the successful assignment of the lease which will not only support the ongoing operation of the business but also facilitates a consistent income stream for the Council beyond the current lease expiry date.

1.4 Finally, we are recommending that Cabinet approve the sale of the freehold of the office building at 17 Sylvester Road E8 1DZ, which has been empty since April 2023 when the tenant terminated their lease. To relet the property will require significant capital investment to bring it up to the lettable standards required and therefore Cabinet is asked to approve the sale of the property. Through selling the site, we will be generating a capital receipt, which will contribute towards the Council's capital programme and also save the Council the cost of keeping this empty property, totaling around £450k per year, which is to be welcomed given the financial challenges facing the Council.

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 11 of this report.

2.2 We are recommending the granting of a new 10 year lease of Unit A, Residence Tower, Goodchild Road, N4 2LY to the current tenant who operates Zer Cafe. This lease renewal will secure the rental income for a further 10 years and secures a continuing income stream to the HRA.

2.3 We are also recommending the disposal of 17 Sylvester Road E8 1DZ which is a vacant office building in the Council's commercial property portfolio. The property has been extensively marketed but all of the letting options present risks relating to the extent of capital investment required against the potential rental income, and / or the requirement for planning consent for change of use. It is therefore recommended that we dispose of the property thereby generating a much needed capital receipt and save the ongoing costs of holding the property empty.

2.4 Finally, this report sets out the Quarter 2 Capital Monitoring for 2024/25, capital expenditure for the six months to September 2024 is £55.7m and the forecast is currently £300m, £9.3m below the revised budget of £309.3m. This represents a forecast of 84% of the approved budget of £357.4m agreed by Council set in February 2024.

3. RECOMMENDATION(S)

3.1 That the scheme for Finance and Corporate Resources Directorate as set out in section 11 be given approval as follows:

Automation of Council Tax Handling Requests: Resource and spend approval of **£116k in 2024/25** is requested to enable Council Officers to proceed with the automation of the back office process relating to Council Tax, by utilising a new set of online forms and integration into our back office system. The new solution will enable residents to complete forms online that automatically process their requests into our back office system, without needing manual processing.

Mosaic ICT System Development Strategy: Resource and spend approval of **£543k (£217k in 2024/25, £220k in 2025/26 and £105k in 2026/27)** is requested to enable Council Officers to proceed with extending the scope of the transformation development work on the Mosaic ICT System.

3.2 That the Quarter 2 Capital Monitoring for the year ending 30 September 2024 in section 12 be noted.

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

Current Directorate	Re-Profiling 24/25	Re-Profiling 25/26	Re-Profiling 26/27	Re-Profiling 27/28	Re-Profiling 28/29
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Non Housing	(6,170)	4,157	1,456	557	0
Housing	(90)	90	0	0	0
Total	**(6,260)**	**4,247**	**1,456**	**557**	**0**

3.4 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	28,572
Housing	0
Total	**28,572**

3.5 To approve the granting of a new ten-year lease to the current tenant of Unit A, Residence Tower, Goodchild Road, N4 2LY, on the proposed Heads of Terms as outlined in Exempt Appendix 3 (subject to any reasonable amendments during the legal process).

3.6 To delegate to the Interim Group Director, Finance and the Director of Strategic Property Services authority to agree to the lease, all commercial terms and any associated documentation and ensure that it represents best consideration.

3.7 To delegate authority to the Acting Director of Legal, Democratic & Electoral Services to complete the lease and all other relevant and ancillary legal documents arising thereto on behalf of the Council.

3.8 To authorise the disposal of 17 Sylvester Road E8 1DZ shown for identification purposes only edged red on the plan at Appendix 2.

3.9 To delegate authority to the Interim Group Director, 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 necessary to approve the property proposals as set out in this report.

4.2 In most cases, resources have already been allocated to the capital 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 **Lease of Unit A, Residence Tower, Goodchild Road, N4 2LY:** Granting a new 10-year lease to the current tenant, will provide an income stream for the Council beyond the current termination date, reducing the risk of future void and re-letting charges.

4.5 It will also reduce the risk of the cafe closing. Zer Cafe is a well-regarded business within the community. The loss of the cafe would not only impact the local residents but could also diminish the parade's appeal and result in potential revenue loss. Although a new tenant is seeking to take occupation of the property, they will continue to operate as a cafe, which shall continue to benefit the community.

4.6 **Proposed disposal of 17 Sylvester Road E8 1DZ:** The Council has widely marketed this building for a commercial letting and received interest from a number of managed workspace operators and also a budget hotel chain. However, in any scenario beyond a temporary use, the Council would have to take on significant financial risks in undertaking major works to the building and/

or obtaining planning consent for change of use, and commit considerable resources to deliver this. The resulting estimated capital value of the asset would not justify the risk, expenditure and resources required compared to the existing value with vacant possession, which could be achieved with relative speed and low resource input.

4.7 Meanwhile, the Council is looking for funding opportunities for "invest to save" measures and transformational revenue spend. There is the potential for capital receipts from property disposals to be used, with the appropriate permissions, for this purpose. The property at 17 Sylvester Road presents a rare opportunity for the Council to dispose of an asset and achieve a substantial capital receipt without complications around rehousing occupiers or staff, and without any loss of existing commercial income. In fact, the immediate revenue position would be improved by removing ongoing void management costs.

5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 **Lease of Unit A, Residence Tower, Goodchild Road, N4 2LY:** The alternative option would be to refuse the grant of a new lease, meaning the tenant would only be able to assign the lease expiring on 12 May 2028. This option has been rejected because the proposed assignee requires the certainty of a 10 year term upon purchasing the business, and therefore would not proceed with an assignment of the current lease. In any event, the longer lease term is in the Council's best interests, as well as the assignee's.

5.2 **Proposed disposal of 17 Sylvester Road E8 1DZ:**
No action. This course of action is not tenable because leaving the building vacant would incur ongoing security and other costs, involve reputational risks and leave the Council open to enquiries or challenge from local residents and other interested parties.

5.3 *Undertake repair and refurbishment works to facilitate an office / workspace letting* The Council would need to take on a major capital project with outlay in excess of £2.5m, potentially up to £4m depending on level of fit out, in order to set this building up for a long term commercial letting as workspace or studios. Based on proposals received during marketing, the rental returns and resulting capital value on this basis would not justify the capital expenditure and risk attached. The Council already has a large amount of office space in its ownership in and around Hackney Central and is therefore already extensively exposed to the Hackney Central office and workspace market, and there are substantial risks associated with further large investments in that market.

5.4 *Change of use to hotel* The Council has received serious interest from a budget hotel chain operator. This would diversify the Council's commercial property portfolio and lead to higher rental returns than offices or workspace. However, this is a very high risk approach. For a traditional letting, the Council would have to meet all, or at least a substantial proportion, of the conversion costs, which could be in excess of £7m. There are potentially other models for a letting to a hotel that would not require the same level of up front investment, but these come with other types of financial risks throughout the lease term.

Moreover, planning consent for change of use to a hotel would be extremely challenging, given the interest from workspace operators. There is a very strong risk that the Council could go through a lengthy planning process that is ultimately unsuccessful, and in the interim continue to incur high void costs.

5.5 *Other corporate objectives* Similarly, the demonstrable interest from workspace providers means there is a high risk that planning consent would not be achieved in the short/medium term for conversion to residential use, including temporary accommodation and specialised supported housing. A developer might be able to take a longer term view on this, but it is not viable for the Council to hold very costly and high value buildings in such a speculative way.

5.6 *Retain the adjacent piece of land.* This piece of land could be split from the building and retained by the Council for possible future development. However, the size and shape of the land, with a four storey privately owned building protruding from the middle of the north boundary, would make development complicated and it is unlikely to be a project the Council would take on in the foreseeable future. The Council would be exposed to a significant construction and development risk at a time when there is great uncertainty in the market. In any event, the land is likely to have a higher value when coupled with the building, as it enhances its viability for development to residential or hotel use, and could provide useful (and rare) external space for some commercial operations. The Council can include an overage provision in the sale so that it can benefit from any future increases in value as a result of development. However, such provisions can be detrimental to the initial capital value and marketability.

6. BACKGROUND

6.1 Lease of Unit A, Residence Tower, Goodchild Road, N4 2LY

6.1.1 The property is Unit A, Residence Tower, also referred to as Zer Cafe and the tenant is a sole trader. The property is situated on the ground floor of the high-rise residential block known as Residence Tower and is held in the Housing Revenue Account (HRA).

6.1.2 The current lease is for a term of 15 years expiring on 12th May 2028. The tenant does not want to continue in the property and proposes to either sell the business and assign the lease, or vacate at the end of the lease. The proposal is to surrender the existing lease and grant a new 10 year lease to the current tenant, enabling him to assign his interest to the proposed purchaser of his business.

6.1.3 The current tenant pays the rent of £18,000 per annum on time, and maintains the unit to a high standard. Zer Cafe has a positive reputation within the Woodberry Grove community. The tenant is seeking a 10-year lease term to facilitate the successful assignment of the lease. This continuity will not only support the ongoing operation of the business but also facilitates a consistent income stream for the Council beyond the current lease expiry date.

6.2 **Proposed disposal of 17 Sylvester Road E8 1DZ**

6.2.1 17 Sylvester Road is a vacant office building in the Council's commercial property portfolio. It comprises 23,798 sq ft (2,210.90 sqm) (net internal) of office accommodation arranged over five floors. It also includes an irregular shaped adjacent piece of land that had been used by a former tenant for parking 8-10 cars.

6.2.2 The property was purchased in August 2013 for £5.75m as a strategic acquisition given the proximity to the main Council Campus, and to increase the Council's income from commercial assets. At the time of the purchase, the property was let to the Secretary of State for Communities and Local Government at a rent of £465,000pa. The rent was increased to £560,000pa following a lease renewal in 2018, and this continued until the lease was terminated via a tenant break option on 1st April 2023. Overall, the Council received around £5m of rent from the asset between 2013 and 2023.

6.2.3 The building is now in need of comprehensive repair, refurbishment and modernisation, and will require at least £2.5m - £3m of capital investment to be lettable for the long term, including: roof renewal, new windows, new lighting system, replacement of the gas heating with split system air source heat pump, plus other improvements necessary to meet Minimum Energy Efficiency Standards. An incoming tenant would almost certainly want to put further capital into the building for its own fit out requirements, and expect a lengthy (12-30 months) rent free.

6.2.4 The property has been extensively marketed and has received interest from managed workspace/studio operators and a budget hotel operator, but all of the letting options present risks relating to the extent of capital investment required against the potential rental income, and/or the requirement for planning consent for change of use.

6.2.5 The building is not likely to be viable for conversion to meet other corporate objectives, such as temporary accommodation or specialised supported housing, as both would require planning permission for a change of use, necessitating a sustained and uncertain void period to which, very substantial, non productive costs are attached. In this case a detailed appraisal of Housing or Temporary Accommodation has not been undertaken, because of the need for the Council to raise some funding urgently to assist with accelerating the Transformation Programme. Looking at the Council's non-core assets, and their relative status across a number of categories, from income generation potential to social value, this particular asset lends itself to the purpose of capital realisation more so than any of the others.

6.2.6 There is the potential for the Council to utilise capital receipts, with the appropriate permissions, to fund invest to save and transformational revenue spend. This was an area emphasised in our recent Corporate Peer Review. This building is expected to generate significant interest if it were to be offered to the market on an unencumbered freehold basis. It is also a rare example of an asset that the Council could dispose of relatively quickly, without the need for relocations or wide consultation that might be the case for some VCS (Voluntary and Community Sector) assets, and without the immediate loss of commercial income, which would be the case for most of the Council's other commercial assets.

6.2.7 Given the risks associated with letting the property; and in the absence of any service use by the Council; and considering the potential to use a capital receipt to fund invest to save measures; the conclusion now is that the best course of action is disposal.

6.3 Policy and Strategic Context

6.3.1 The report to recommend the Council Budget and Council Tax for 2024/25 considered by Council on 26 February 2024 sets out the original Capital Plan for 2024/25. Subsequent update reports considered by Cabinet amend the Capital Plan for additional approved schemes and other variations as required.

6.3.2 **Proposed disposal of 17 Sylvester Road E8 1DZ:** The Strategic Plan, Working Together for a Better Hackney requires that we put our resident at the heart of everything we do. In the current financial situation, that requires some transformational work, to adapt for the straightened conditions. Through the ongoing Non-Core Asset Challenge (NCAC), SPS has targeted protecting those assets that give us, and can continue to give us, the most value, be it commercially; through services provided by VCS organisations; or refurbishment / development to meet corporate objectives. In doing this it is essential that we reduce our exposure to the unsustainable assets that will significantly impact our finances, and in some cases this will mean disposing of them. This will enable us to secure capital receipts to help us fund our capital programme.

6.3.3 Most of the larger and more complex assets identified within the NCAC for possible disposal will be subject to detailed options appraisal to ensure all options have been fully reviewed within a strategic asset management context. This will involve an outline Options Appraisal Matrix assessing criteria including existing use, ownership, vacant possession, site access and constraints, viability, regeneration potential, strategic fit and suitability for other uses based on the availability of a defined brief (output specification), design information or service plan.

6.3.4 17 Sylvester Road is an exceptional case, which is why it is being put forward for disposal now. We have already fully explored the potential for a commercial letting and determined that there is a strong risk that the financial bottom line will be weaker compared to a freehold sale now with vacant possession. The building is expected to have limited potential for alternative uses and is costing the Council substantial sums in void management. It is also one of the few buildings coming out of the NCAC that is currently vacant, and could be sold and produce a capital receipt relatively quickly. Such a receipt is necessary due to the rapid acceleration of TA costs soaking up reserves, and the need to accelerate the Transformation programme.

6.4 Equality Impact Assessment

6.4.1 The Equality Impact Assessments associated with the schemes detailed in this report are considered in detail at individual scheme level.

6.4.2 **Lease of Unit A, Residence Tower, Goodchild Road, N4 2LY:** There are no equalities impacts arising from this transaction as there is no change to the proposed use of the property. The cafe will continue to serve and benefit the local community.

6.4.3 **Proposed disposal of 17 Sylvester Road E8 1DZ:** There are no equalities impacts identified as a result of this proposal.

6.5 Sustainability and Climate Change

6.5.1 The sustainability and climate change impacts associated with the schemes detailed in this report are considered in detail at individual scheme level.

6.5.2 **Lease of Unit A, Residence Tower, Goodchild Road, N4 2LY:** There are no impacts arising from this transaction.

6.53 **Proposed disposal of 17 Sylvester Road E8 1DZ:** The disposal of the asset has no direct sustainability and climate change impact, however it is the most likely route to bringing this building back into a productive use in the shortest time, and modified to meet the Minimum Energy Efficiency Standards.

6.4 Consultations

6.4 Relevant consultations have been carried out in respect of the projects included within this report, as required. Once again details of such consultations would be included in the relevant detailed reports to Cabinet or Procurement Committee.

6.5 Risk Assessment

6.5 The risks associated with the schemes detailed in this report are considered in detail at individual scheme level. Primarily these will relate to the risk of the projects not being delivered on time or to budget. Such risks are however constantly monitored via the regular capital budget monitoring exercise and reported to cabinet within the Overall Financial Position reports. Specific risks outside of these will be recorded on departmental or project based risk registers as appropriate.

7. COMMENTS OF THE INTERIM GROUP DIRECTOR OF FINANCE

7.1 The gross approved Capital Spending Programme for 2024/25 currently totals **£313.037m (£154.382m non-housing and £158.656m 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 recommendations in this report will result in a revised gross capital spending programme for 2024/25 of **£335.682m (£177.117m non-housing and £158.566m housing).**

Current Directorate	Updated Budget Position	Nov 2024 Cabinet	Capital Adjustments	Re-Profiling 24/25	Updated Budget Position
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive's	14,066	0	0	0	14,066
Adults, Health & Integration	1,776	0	50	(127)	1,700
Children & Education	16,827	0	(0)	(1,256)	15,571
Finance & Corporate Resources	70,054	333	0	157	70,544
Climate, Homes & Economy	51,659	0	28,522	(4,945)	75,236
Total Non-Housing	**154,382**	**333**	**28,572**	**(6,170)**	**177,117**
Housing	158,656	0	0	(90)	158,566
Total	**313,037**	**333**	**28,572**	**(6,260)**	**335,682**

7.3 **Lease of Unit A, Residence Tower, Goodchild Road, N4 2LY** The authorisation for the renewal lease to Unit A Woodberry Grove entails a lease with an initial annual rent that will be subject to rent reviews every five years, linked to Retail Price Index (RPI).

7.4 The Council has carried out an analysis of properties that are currently on the market with similar specifications. The current occupier has been the Council's tenant at this property since 2013. The letting has been successful with the rent paid promptly. The current tenant plans to sell their business and assign their lease. However the Council will still secure the rental income for the period of the lease.

7.5 **Proposed disposal of 17 Sylvester Road E8 1DZ:** The sale of this property represents the best financial outcome for the Council. In order to render this property suitable for leasing, a substantial capital investment is required and at this time, carrying out any refurbishment is not financially viable for the Council.

7.6 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. Furthermore, there is also the potential to utilise capital receipts, with the appropriate permissions, to fund invest to save and transformational revenue spend. This was an area emphasised in our recent Corporate Peer Review. The disposal of the property will also reduce the financial burden of the current void costs, totaling around £450k, which are negatively impacting the Council's revenue budget.

7.7 The sale of this building will create a £600k budgeted income shortfall in 2026/27, as it will eliminate any potential rental income from this asset, even though the property is currently vacant and not meeting income targets. However, as explained above, in practice the Council would have to commit to a substantial capital investment and officer time to enable the receipt of any future rental income, and there is a strong risk that that income would be substantially lower than the amount originally budgeted.

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

8.1 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.

8.2 In order to fulfil these statutory duties and legislative requirements the Section 151 Officer will:

(i) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices, and monitor compliance with them.
(ii) Determine the accounting records to be kept by the Council.
(iii) Ensure there is an appropriate framework of budgetary management and control.
(iv) Monitor performance against the Council's budget and advise upon the corporate financial position.

8.3 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).

8.4 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).

8.5 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.

8.6 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.

8.7 **Lease of Unit A, Residence Tower, Goodchild Road, N4 2LY:** The grant of a lease is pursuant to the Hackney Mayoral Scheme of Delegation of January 2017 and is reserved to the Mayor and Cabinet.

8.8 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. However, 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 disposal of and the consideration accepted) is £2 million or less.

8.9 The proposal to grant a new 10 year lease complies with the requirement to obtain best consideration in addition to ensuring the continued use of the premises for the benefit of the surrounding community.

8.10 Provided the financial threshold requirements are met by the proposed assignee there is no legal reason to oppose the grant of the new lease with the specific intention to allow an onward assignment.

8.11 **Proposed disposal of 17 Sylvester Road E8 1DZ:** The approval of a disposition is reserved to the Mayor and Cabinet pursuant to the Mayor Scheme of Delegation 21/22.

8.12 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.

8.13 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.

8.14 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.

8.15 The disposition is further supported by s2 of the Localism Act 2002 which grants every local authority the power to do anything which they consider is likely to achieve economic well-being of the area. In this case ensuring investment in the asset which will benefit the local community meets the criteria of the 2002 Act.

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

9. COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES

9.1 **Lease of Unit A, Residence Tower, Goodchild Road, N4 2LY:** Under Section 123 of the Local Government Act 1972, Strategic Property Services has determined that this proposal represents the best consideration reasonably obtainable for the Council.

9.2 The Council’s Principal Valuation Surveyor has confirmed that the proposed rent is in line with the Market Rent, and other terms are in line with commercial expectations.

9.3 This is a sound piece of estate management for the Council, as it ensures a longer term rental income stream from a successful business.

9.4 **Proposed disposal of 17 Sylvester Road E8 1DZ:** The proposal is to offer the freehold of these premises for sale due to the requirement to urgently secure capital receipts and drive down ongoing costs.

9.5 The property has been extensively marketed but all letting options require the Council to commit to substantial capital expenditure and officer time, and / or take on other financial risks, which would not be justified by the resulting rental receipts or capital value of the asset.

9.6 The Council could protect its position on any future development value, including of the adjacent land, by including overage provisions in the sale, however there is a degree of market resistance to such moves and the use of overage provisions would be a matter for detailed consideration at the time of marketing.

9.7 A freehold disposal of this site would be a disposal for the purpose of s.123 of the Local Government Act 1972 and the Council is required to meet the best consideration requirements contained therein.

9.8 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 with 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.

10. VAT IMPLICATIONS ON LAND AND PROPERTY TRANSACTION

10.1 **Lease of Unit A, Residence Tower, Goodchild Road, N4 2LY:** The property is opted to tax, therefore the tenant will be liable to pay 20% VAT on their rent demands. The VAT will be charged by the Council. Any VAT that the Council incurs on costs associated with the grant of that lease, (i.e. the refurbishment of the property etc), will be standard rated input tax and will be recoverable by the Council in full.

10.2 **Proposed disposal of 17 Sylvester Road E8 1DZ:** Since the Council is selling the property without an option to tax in place, the sale will be exempt from VAT. As a result, any VAT incurred on costs related to the sale, as well as any VAT incurred since the property was vacated, will be classified as exempt input tax. This VAT will need to be accounted for in the Council's partial exemption calculation.

11. CAPITAL PROGRAMME 2024/25 AND FUTURE YEARS

11.1 Finance and Corporate Resources Directorate

11.1.1 **Automation of Council Tax Handling Requests:** Resource and spend approval of **£116k in 2024/25** is requested to enable Council Officers to proceed with the automation of the back office process relating to Council Tax, by utilising a new set of online forms and integration into our back office system. The new solution will enable residents to complete forms online that automatically process their requests into our back office system, without needing manual processing.

11.1.2 The possible savings are based on achieving a level of automation that takes work out of the back office. The saving is estimated to be c. £300k pa, if we can achieve automation of c80%. The project will indirectly repay through savings from year 2, achieved by a reduction of 9 FTEs or the redeployment of resources to generate £300k plus of additional income via Council Tax collection. The actual total will depend on the level of automation that is achieved and behaviour change from residents to move to processing their requests online. This is a digital project with a one off cost one-off funding to create an interface with the back office system, resulting in efficiency savings. This capital investment which will result in a significant long term saving for the Council.

11.1.3 There are no equalities implications directly arising from this proposal. The automation will change how transactions are processed by IT systems, with no impact on the resident. The efficiency improvement gained through greater automation is anticipated to result in a reduction in staff processing time. However, we are anticipating that the affected staff will be re-allocated to other duties within the service to increase income, which will be monitored so that at an appropriate time in the future the salary savings can be released when the income collection is not at a sufficient level.

11.1.4 The project will be delivered by a working group of existing Council employees. The solution will be procured via a framework (likely Gcloud) and anticipated to be a direct award. Subject to procurement, it is anticipated for the project to be delivered in time for annual billing of council tax in March 2025.

11.1.5 This capital expenditure will support parents into work, reduce poverty and create additional childcare places locally, contribute to liveable neighbourhoods and reduce the need to travel for childcare. This demonstrates the Council's commitment to ensure that every child in Hackney has the best start in life by being able to access good quality local childcare, helping to tackle child poverty and supporting families. This capital project supports the Council's 2018-2028 Sustainable Community Strategy Priority 1 'A borough where everyone can enjoy a good quality of life and the whole community can benefit from growth'. This approval will be funded by borrowing but in the long term will result in significant savings in the overall Council's budget.

Project Milestones	Est.Completion Date
Confirmation of Funding	Nov 2024
Procurement of solution	Dec 2024
Implementation of solution (ahead of next year's billing cycle)	Jan 2025

11.1.6 **Mosaic ICT System Development Strategy:** Resource and spend approval of **£543k (£217k in 2024/25, £220k in 2025/26 and £105k in 2026/27)** is requested to enable Council Officers to proceed with extending the scope of the transformation development work on the Mosaic ICT System. In January 2024, £1.3m capital funding for the Essential Mosaic Development Strategy was approved by Cabinet (Key Decision No F S212). The Council has also successfully been awarded a Section 256 external project from the NHS Digital Enabler Board. As a result £160,560 in 2024/25 will be spent in accordance with the terms of the agreement. This will be spent on the programme and then claimed back from the grant at the end of the financial year. The original plan anticipated completing major, complex projects by the end of 2024, with ongoing work transitioning to an internal ‘fixed-term’ team focused on more routine Mosaic development. However, as we move forward, it's evident that the scope of work is far more complex than initially predicted. This presents both a challenge and an opportunity. By investing in the necessary resources and expertise, the team can address the unforeseen complexities and fundamentally enhance Mosaic's functionality. In addition, there will be more time to put in place the organisational structures for longer-term capacity. This approach will enable the team to drive strategic transformation across multiple service areas, leveraging economies of scale and positioning the Council for greater efficiency and improved outcomes.

11.1.7. The Mosaic system is the main system used by the Council to manage our Social Care Services for both Adults and Childrens. The Mosaic Strategy Board has proposed a delivery route that splits the day to day operations from the transformation work. The transformation works requires additional funding for the following reasons:

- The transformation work required developing new features and additional interfaces replacing a lot of the google based forms. The new features reduce manual processes with more automation into the Mosaic system. This work is complex and requires the expertise and experience from the project team. These development opportunities have been identified since the original business case in Jan 2024. The development work includes features that will create efficiencies in the following areas: Acute Discharge early referrals, improvements to recording front-line teams’ work, and dashboards supporting better caseload management, improvements to residence experience of Care & Support Plans, (Finance) e-Brokerage implementation, and responding to vendor changes (supporting an infrastructure change).
- The market for fixed-term staff of this type is poor, and recent similar recruitment has failed, posing a significant risk to delivery if the current team is not extended.
- More time and planning is required to consider what resources and governance is needed to support the system sustainably. Benchmarking indicates the Hackney Council has significantly less resources than most supporting Mosaic. Therefore the project team will support the directorates to identify a long term approach that is funded, as opposed to the fixed term model which is not sustainable.

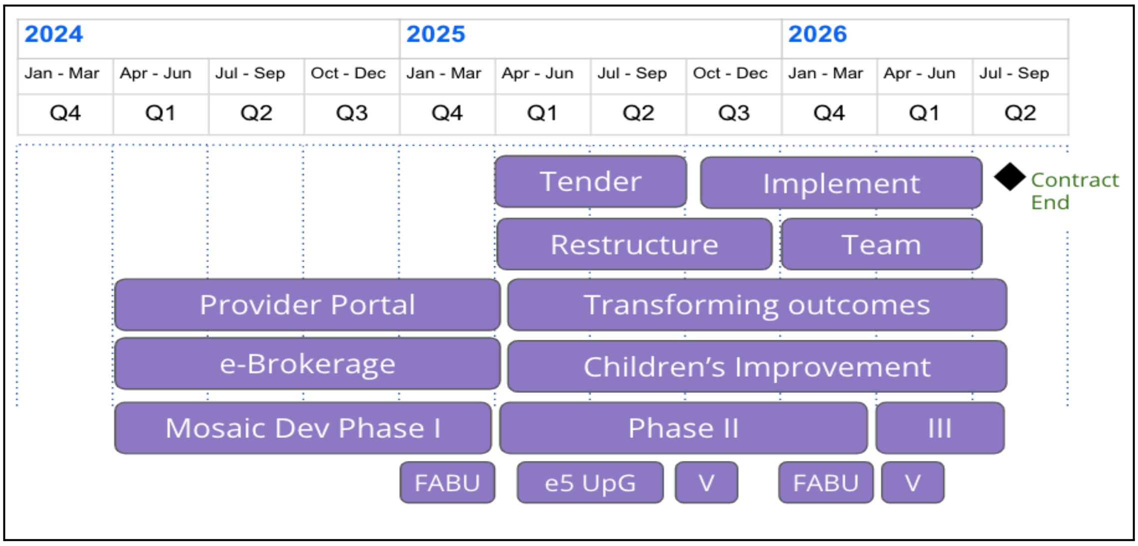
11.1.8 The additional funding covers the cost of maintaining the project development team as opposed to recruiting a fixed term one. This is a development team for the Mosaic system and is therefore eligible for capitalisation until August 2026 as outlined in table 11.1.10. The approach is to use external resources so that the Council ICT’s Team can focus on recruiting a permanent internal team within existing budgets. The approach of moving from an external team toward a more sustainable, longer-term internal team requires a new view on a horizon beyond the August 2026 contract. Looking ahead to 2026, the council will prepare for a vendor procurement process that aligns with our long-term goals. While procurement is a routine ICT function, the complexity of transitioning to a new provider, should it be necessary, demands careful planning and significant technical expertise. The Council needs to demonstrate excellent and open procurement practices, and in this regard, needs further time to embed what was learnt by the benchmarking with other London-based authorities.

11.1.9 This additional funding will enable the Council's ICT Project Team to deliver the essential and complex work until the end of the current contract whilst also ensuring that we plan and embed the right resources to effectively manage the system sustainably in the future. There will be a cohesive work programme to build a robust system that will be responsive to immediate change and will drive significant efficiencies in two social care services that are constantly under pressure with high costs for the Council. The team will build a more efficient, internally capable team, ensuring sustainable development while maximising value and impact for the council. In addition, the Council can use these resources for market procurement ahead of 2026. All work will be managed to industry-recognised project management standards so that outputs are measurable, and all work will be governed through the Mosaic Joint Strategy Board which has representation from Adult Social Care, Children Social Care, and ICT and delivered through active workstreams.

11.1.10 This capital approval will provide a cohesive programme of work to address Mosaic development and transformation for the Council's Adult Social Care and Childrens and Family Services. It will be joined up, have high-visibility and respond to the existing three services represented at the Mosaic Joint Strategy Board. This capital expenditure demonstrates the Council's commitment to tackling inequalities, ensuring every child has the best start in life and along with our older residents, in Hackney, live a fairer, safer and active life. This supports all of the Priorities in the Council's 2018-2028 Sustainable Community Strategy. This approval will have an impact on the corporate programme as the project will be part funded by grant and by borrowing done by the local authority.

Phase	Project Milestone	Complete By
Phase I	Provider Portal Phase II	Dec 2024
	Mosaic Development Sub-phase I (a)	Dec 2024
Phase II	e-Brokerage Implementation	Mar 2025
	Mind of My Own	Mar 2025
	Mosaic Development Sub-phase I (b)	Mar 2025
	FABU II	Mar 2025
Phase III	ECM Integration	Sep 2025
	Mosaic Development Sub-phase II (a)	Sep 2025
	e-Brokerage Portal Implementation	Sep 2025
	Charging Reform Outcomes	Sep 2025

Phase	Project Milestone	Complete By
	Upgrade I	Sep 2025
Phase IV	Mosaic Development Sub-phase II (b)	Mar 2026
	ASC Transformation Outcomes (I)	Mar 2026
	FABU III	Mar 2026
	New Supplier Tender	Jun 2026
	Upgrade II	Jun 2026
Phase V	ASC Transformation Outcomes (I)	Jun 2026
	Mosaic Development Phase III	Aug 2026



12. Q2 CAPITAL MONITORING 2024/2025

This is the second OFP Capital Programme monitoring report for the financial year 2024/25. The actual year to date capital expenditure for the six months April 2024 to September 2024 is £55.7m and the forecast is currently £300m, £9.3m below the revised budget of £309.3m. This represents a forecast of 84% of the approved budget of £357.4m, approved by Cabinet in February 2024 (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 £6.3m (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. The main reasons for the variances this quarter are:

- Cost optimisation and early works and the viability of schemes as well as the availability of construction materials resulting in delays to start times (e.g Estate Regeneration & Housing Supply programme)
- external factors determining programme or requiring scheme review (e.g. Britannia Scheme, S106 highways works, Fleet availability/delivery for Environmental Operations)

- Education AMP scheme require conservation office approval
- Streetscene schemes requiring public notices and consultations

Table 1 Summary of the Capital

Capital Programme 2024/25	Budget Set at Feb Cab 2024	Budget Position	Spend	Forecast	Variance (Under/Over)	Capital Adjustments	Re-Profiling 2024/25	New Bids	Updated Budget Position
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive's	13,290	13,762	1,343	13,717	(45)	0	0	304	14,066
Adults, Health & Integration	1,802	1,776	1,014	1,700	(77)	50	(127)	0	1,700
Children & Education	20,925	16,827	5,191	15,554	(1,273)	(0)	(1,256)	0	15,571
Finance & Corporate Resources	18,843	15,254	3,555	11,492	(3,762)	0	(4,161)	333	11,425
Mixed Use Development	74,746	54,801	8,783	59,465	4,665	0	4,318	0	59,119
Climate, Homes & Economy	58,644	48,212	9,216	43,064	(5,148)	28,522	(4,945)	3,446	75,236
Total Non-Housing	**188,249**	**150,631**	**29,102**	**144,992**	**(5,639)**	**28,572**	**(6,170)**	**4,083**	**177,117**
AMP Housing Schemes HRA	55,336	56,125	11,555	62,711	6,586	0	(90)	0	56,035
Council Capital Schemes GF	4,832	5,982	1,628	5,984	1	0	0	0	5,982
Private Sector Housing	2,031	2,158	653	2,008	(150)	0	0	0	2,158
Estate Regeneration	55,654	44,374	9,094	40,356	(4,017)	0	0	0	44,374
Housing Supply Programme	32,636	28,025	3,944	21,729	(6,296)	0	0	0	28,025
New Homes	6,028	7,155	1,698	7,155	0	0	0	0	7,155
Woodberry Down Regeneration	12,635	14,837	(1,996)	15,087	250	0	0	0	14,837
Total Housing	**169,151**	**158,656**	**26,575**	**155,029**	**(3,626)**	**0**	**(90)**	**0**	**158,566**
Total Capital Budget	**357,400**	**309,287**	**55,677**	**300,021**	**(9,265)**	**28,572**	**(6,260)**	**4,083**	**335,682**

12.1 CHILDREN AND EDUCATION

The forecast for the overall Children and Education is £15.6m, £1.3m below the in-year respective budget of £16.8m. More detailed commentary is outlined below.

C&E Directorate Capital Forecast	Budget Set at Feb Cab 2024	Budget Position	Spend	Forecast	Variance
	£000	**£000**	**£000**	**£000**	**£000**
Children & Family Services	683	1,611	11	1,577	(34)
Education Asset Management Plan	10,300	7,347	1,498	5,791	(1,555)
Education Sufficiency Strategy	0	342	10	342	0

SEND and Other Education	5,596		1,080	186	1,301	221
Primary School Programmes	2,515		4,723	3,044	5,418	695
Secondary School Programmes	1,830		1,724	441	1,124	(600)
TOTAL	**20,925**		**16,827**	**5,191**	**15,554**	**(1,273)**

12.1.1 **Education Asset Management Plan**

The forecast for the overall Education Asset Management Plan is £5.8m, £1.5m below the in-year respective budget of £7.3m. Below is a brief update on the other main variances:

Woodberry Down Primary School - The forecast is a minimum spend against the in-year respective budget of £1.3m. There will be a budget review once the conservation office returns its reports, hence the budget has been reprofiled to 2025/26.

Development AMP - The forecast is £309k, £195k below the in-year respective budget of £504k. This budget covers all the development work which supports new schemes and capitalisation of direct project costs. This underspend will be transferred to cover all the identified overspends in the overall programme.

London Fields Primary School - The forecast is nil spend against the in-year respective budget of £584k. The project is In the consultation phase. The work is the reconfiguration of the reception. There are no plans to deliver this project this year therefore the budget will be carried forward to the 2025/26 budget.

Hillside Primary School - The forecast is £554k, £294k above the in-year respective budget of £260k. A contractor has been appointed as the principal contractor after the end of the tender process. The costs are forecast to be higher than initially expected. The variance will be supported from the identified underspends in the overall programme.

12.1.2 **SEND and Other Education**

The forecast for the overall SEND and Other Education is £1.3m, £0.2m above the in-year respective budget of £1m. Below is brief update on the main variances:

Sebright Primary, Daniel House Building, The Bridge Academy and Comet Nursery and Children's Centre (SEND) - The forecast is £0.9k, £0.4m above the in-year respective budget of £0.5m. The schools are in various design stages. This project is part of a wider programme of expansion of schools to create additional resource provision for SEND pupils. Sebright Primary - expected to go to tender eminently. The survey was received with a 'condition' around the windows. The consultants are liaising with the conservation team about this and how to discharge the condition. Daniel House - Tender is going out in Quarter 3 of 2024. Contract award will be in Quarter 4 of 2024. The

Bridge Academy - Project is completed and at the final payment stage. Comet Nursery and Children's Centre - The scheme has been profiled to commence at the end of Quarter 2 with a planned duration of up to 1 year. The budget from 2025/26 has been brought back to the current year to cover this overspend.

12.1.3 Primary School Programmes

The forecast for the overall Primary School Programme is £5.4m, £0.7m above the in-year respective budget of £4.7m. Below is a brief update on the main variances:

Southwold Primary School Façade Works - The forecast is £0.8m, £0.3m above the in-year respective budget of £0.5m. The variance is based on the timber windows that are in a poor state of repair. A survey was undertaken and it was deemed a health and safety risk and necessary to undertake the work immediately. The overspend will be funded by identified underspends in the overall programme.

William Patten Primary School Façade Works - The forecast is £0.8m, £0.3m above the in-year respective budget of £0.5m. The variance is due to structural issues discovered during surveying and work which presented a health and safety risk for the students, staff and visitors. The overspend will be funded by identified underspends across the overall programme.

12.1.4 Secondary School Programmes

The forecast for the overall Secondary School Programme is £1.1m, £0.6m below the in-year respective budget of £1.7m. Below is a brief update on the main variance:

Life Cycle Early Failure Contingency - The forecast is £0.8m, £0.6m below the in-year respective budget of £1.3m. This budget is to cover reactive works across the overall programme. The final outturn is based on the emergency and health and safety work expected to be completed by the end of the financial year. Any surplus budget will be carried forward to the 2025/26 budget.

12.2 FINANCE AND CORPORATE RESOURCES

The forecast for the overall Finance and Corporate Resources is £71m, £0.9m above the in-year respective budget of £70.1m. More detailed commentary is outlined below.

F&CR Directorate Capital Forecast	Budget Set at Feb Cab 2024		Budget Position	Spend	Forecast	Variance
	£000		£000	£000	£000	£000
Property Services	17,885		11,252	3,139	7,491	(3,762)
ICT	958		4,001	416	4,001	0
Total	**18,843**		**15,254**	**3,555**	**11,492**	**(3,762)**

Mixed Use Development	74,746		54,801	8,783	59,465	4,665
TOTAL	**93,588**		**70,054**	**12,337**	**70,957**	**903**

12.2.1 **Strategic Properties Services - Strategy & Projects**

The forecast for the overall Strategic Properties Services is £7.5m, £3.8m below the in-year respective budget of £11.3m. Below is a brief update on the main variances:

14 Andrews Rd Works - The forecast is £719k, £267k above the in-year budget of £452k. The project to improve security, new office and remodelling works is complete. The project is at the final accounts stage and the overspend will be funded from identified underspends in the overall programme.

SN Town Hall and Assembly Hall - The forecast is £0.5m, £0.6m below the in-year budget of £1.1m. Phase 1 ceiling works are completed. Phases 2 and 3 are scheduled to commence January 2025 pending a Feasibility Study into the HVAC (Heating, Ventilation, and Air Conditioning) and remodelling in conjunction with the 'Reinstatement and Completion of Veiling Works' to include 'Ventilation' if viable, to the Assembly Halls. The cost of the installation of a new fire alarm system and emergency lighting are now required from a compliance perspective and need to be installed irrespective of the future of the building. The remaining budget will be carried forward to the 2025/26 budget for the next phase of the project.

DDA - The forecast is £50k, £296k below the in-year budget of £346k. The forecast is for compliance work due this financial year. Two officers will be recruited into the team by the autumn 2024. The Project Manager will be able to provide a robust forecast once the survey works commence. The bulk of the budget will be carried forward to the 2025/26 budget.

Millfields Waste Depot - The forecast is £200k, £658k below the in-year budget of £858k. The planning application has been submitted. The Project Manager is expecting to invite tenders by the autumn 2024. The work will commence in spring 2025 as there is a lot of tree work to be done. The majority of the work will commence in 2025/26, therefore, the budget will be carried forward.

12-14 Englefield Rd (Landlord Works) - The forecast is £486k, £618k above the in-year budget of £287k. The project is complete and in the 12 month defects liability period. The new tenant is in occupation. The Project Manager has forecasted a higher spend than originally expected. The variance will be covered by identified underspends across the overall programme.

VCS Fire Risk & Rem Wks (GF) - The forecast is £1.5m, £0.3m below the in-year budget of £1.8m. Planning and delivery is in progress. The technical team is finalising the specification and currently tendering for works. This forecast is based on the works due this financial year. Any surplus budget will be carried forward to the 2025/26 budget to continue the schedule of works.

Corporate Asset Fire Risk & Rem Wks (GF) - The forecast is £0.3m, £2.3m below the in-year budget of £2.6m. The project team over estimated the actual spend for this financial year. The technical team has gone out and completed surveys on the properties and have amended the forecast. The team are now procuring a batch of surveys which is expected to start within the next three months. The remaining budget will be carried forward to the 2025/26 budget to continue the programme of works.

12.2.2 Mixed Use Developments

The forecast for the overall Mixed Use Developments is £59.5m, £4.7m above the in-year respective budget of £54.8m. This forecast largely relates to the Britannia site as Tiger Way and Nile Street are now complete with only retention and final payments due.

Specifically on the Britannia scheme for Phase 1a (new Leisure centre) and Phase 1b (CoLASP) the budget is for retention and to fund the Colville Energy Centre. For Phase 2b (Residential Private & Social Housing) the project is now in construction and above ground. The budget from 2025/26 will be brought back to cover the overspend in this financial year.

12.3 CLIMATE, HOMES & ECONOMY

The overall forecast in Climate, Homes & Economy is £43.1m, £5.1m under the revised budget of £48.2m. More detailed commentary is outlined below.

Climate, Homes & Economy Capital Forecast	Budget Set at Feb Cab 2024	Budget Position	Spend	Forecast	Variance
	£000	£000	£000	£000	£000
Leisure, Parks & Green Spaces	16,451	13,013	1,235	13,013	(0)
Streetscene	15,387	14,609	2,821	12,980	(1,630)
Environmental Operations & Other	3,923	4,370	1,136	1,668	(2,702)
Public Realms TfL Funded Schemes	0	0	1,305	(0)	(0)
Parking & Market Schemes	1,323	1,470	619	1,470	0
Community Safety, Enforcement & Business Regulations	100	231	42	156	(75)
Culture, Libraries and Heritage	5,903	1,272	141	1,253	(19)
Temporary Accommodation	7,691	11,645	1,799	10,966	(679)
Regeneration & Economic Development	7,866	1,602	118	1,558	(43)
Total	**58,644**	**48,212**	**9,216**	**43,064**	**(5,148)**

12.3.1 Streetscene

The forecast for the overall Streetscene is £13m, £1.6m below the in-year respective budget of £14.6m. Below is the brief update on the main variances.

Highway Works S106 Funded Schemes - The forecast is £1.9m, £0.5m below the in-year budget of £2.5m. This underspend is largely due to schemes where Highway works can only be done once the developer's work is completed. The variance will be carried forward to the 2025/26 budget to reflect the anticipated spend.

Streets Road Safety - The forecast is £0.7m, £0.3m below the in-year budget of £1m. Some of the schemes require public consultations. These consultations were delayed due to election periods preventing public notices, hence the variance. The underspend will be carried forward to the 2025/26 budget to reflect the anticipated time frame.

Develop Borough Infrastructure - The forecast is £0.6m, £0.3m below the in-year budget of £0.9m. The project is delayed and therefore the underspend will carry forward to the 2025/26 budget.

Street Lighting Replacement - The forecast is nil spend against the in-year budget of £0.4m. This cyclic maintenance programme of works has been deferred to next financial year. The budget will be carried forward to support the 2025/26 programme.

12.3.2 **Environmental Operations & Other**

The forecast for the overall Environmental Operations & Other is £1.7m, £2.7m below the £4.4m. This main variance relates to the Councils Waste and Fleet Replacement programme. 24 Refuse collection vehicles have been ordered and awaiting delivery. The Project Manager anticipates the remaining vehicles will be placed in 2025/26 and future years. The variance has, therefore, been carried forward in line with the revised timeline.

12.3.3 **Temporary Accommodation**

The forecast for the overall Temporary Accommodation is £11m, £0.7m below the in-year respective budget of £11.7m. Below is the brief update on the main variance.

Hostel Fire Risk & Remedial Works - The forecast is £0.5m, £0.7m below the in-year budget of £1.2m. This forecast is based on the works due for this financial year which include lift replacement at Glebelands Hostel and various Mechanical, electrical and plumbing works at the hostels at Median Road, Foulden Road, Albion Grove and Meynell Road. The underspend will be carried forward to the 2025/26 budget to continue the programme of works.

12.4 **HOUSING**

The overall forecast in Housing is £155.1m, £3.6m below the revised budget of £158.7m. More detailed commentary is outlined below.

Housing Capital Forecast	Budget Set at Feb Cab 2024		Budget Position	Spend	Forecast	Variance
	£000		£000	£000	£000	£000
AMP Housing Schemes HRA	55,336		56,125	11,555	62,711	6,586
Council Capital Schemes GF	4,832		5,982	1,628	5,984	1
Private Sector Housing	2,031		2,158	653	2,008	(150)
Estate Regeneration	55,654		44,374	9,094	40,356	(4,017)
Housing Supply Programme	32,636		28,025	3,944	21,729	(6,296)
New Homes	6,028		7,155	1,698	7,155	0
Woodberry Down Regeneration	12,635		14,837	(1,996)	15,087	250
Total Housing	**169,151**		**158,656**	**26,575**	**155,029**	**(3,626)**

12.4.1 **AMP Housing Schemes HRA**

The overall forecast is £62.7m, £6.6m above the in-year respective budget of £56.1m. Below is a brief update on the main schemes causing the variances:

Lifts Major Components - The forecast is £0.3m, £0.1m above the in-year respective budget of £0.2m. A service contract is in the pipeline for lift repairs and the forecast anticipates 'high value revenue repairs to be capitalised' by the DLO (direct labour organisation). A full Capital programme for lift renewals will follow the stock condition survey. This overspend will be funded by capital financing and underspends from within the overall programme.

Fire Risk Works - The forecast is £1.1m, £0.6m above the in-year respective budget of £0.5m. The Council's Resident Safety Team have responded to increased referrals by the London Fire Brigade to replace front entry doors that failed to meet the requisite safety standards in low rise blocks. In recent months the team have also managed additional fire prevention referrals including the removal of low grade cladding. This overspend will be funded by capital financing and underspends from within the overall programme.

Lightning Conductors - The forecast is £0.6m, £0.2m above the in-year respective budget of £0.4m. Additional residential blocks have been added to the programme of works due to non compliance and defects arising from the annual testing and inspection of the 'Lightning Protection'. This overspend will be funded by capital financing and underspends from within the overall programme.

Lateral Mains - The forecast is £1.3m, £0.8m above the in-year respective budget of £0.5m. There is a revised forecast following wider testing and re-costing of the annual programme including emergency works to ensure legal compliance at Evelyn House and Dovedale House. This overspend will be funded by capital financing and underspends from within the overall programme.

Hardwire Smoke Alarms - The forecast is £0.6m above the nil in-year budget. A retrospective business case was requested by senior officers for approval. This was necessary to ratify the £600k contract award for communal fire alarms and more significantly, a ‘potential’ £1m programme contract award for similar alarms at various street properties. This overspend will be funded by capital financing and underspends from within the overall Capital programme.

Social Housing Decarbonisation Fund: (SHDF - Fees & Works) - The forecast of £3.7m, £2.2m above the in-year respective budget of £1.5m. The uplift in the forecast follows lengthy discussions which have only recently concluded with the signing of two contracts. These programmes will require additional funding to match the Asset Management Plans (AMPs) that are due to be issued before the end of this finance year. The Social Housing Decarbonisation Grant ends on 31 March 2025. The variance will be funded by the SHDF grant and underspends from within the overall programme.

Front Entry Doors - The forecast of £5.8m is £1.3m above the in-year respective budget of £4.5m. Both contractors have outperformed their delivery targets, however, there have been some issues with quality assurance. The variance will be funded by capital financing and underspends from within the overall programme.

Roads and Footpath - The forecast is £0.9m, £0.8m above the in-year budget of £0.1m. A greater volume of high value repairs were recharged to Capital over the first half of the year. The forecast reflects this trend continuing in the second half of the year. The variance will be funded by capital financing and underspends from within the overall programme.

12.4.2 **Council Schemes GF**

No material variance.

12.4.3 **Private Sector Housing Schemes**

The overall forecast in Private Sector Housing Schemes is £2m, £0.2m below the in-year respective budget of £2.2m. The reduction in spend this quarter is due to a lower number of applications for the General Repairs and Warmth & Security grants. In contrast there has been a large increase of spend on the disabled adaptation works, which are funded in full by the Disabled Facilities Grant (DFG). The number of requests for works have significantly increased over the last 12 months and future requests are having to be prioritised to avoid an overspend position.

12.4.4 **Estate Regeneration Programme (ERP)**

The overall forecast in Estate Regeneration is £40.4m, £4m below the in-year respective budget of £44.4m. Below is a brief update on the main schemes causing the variances:

Kings Crescent 3&4 - The forecast is £9.1m, £1.5m below the in-year respective budget of £10.6m. Cost optimisation and early works have started and these are due to complete by summer 2026, which is later than previously expected and explains the reason for the reduced forecast since Quarter 1. Main construction works are now expected to start in autumn 2026, assuming the viability position of the project is acceptable at that stage. The current cash flow is based on information provided by the external employer's agent.

Marian Court Phase 3 - The forecast is £5.5m, £0.7m above the in-year respective budget of £4.8m. Cost optimisation and early works have started and these are due to complete in summer 2026. Main construction works will then commence shortly afterwards, assuming the viability position of the project is acceptable at that stage. The reason for the small increase in forecast to Quarter 1 relates to additional works that are now being undertaken during the early works period, including the commission and installation of a temporary substation, lowering of high-voltage cables and gas pipework and costs relating to UKPN (UK Power Networks) electric services. The current cash flow is based on information provided by the external employer's agent.

Nightingale - All phases - The forecast is £5.2m, £0.6m below the in-year respective budget of £5.8m. For phase 1 (Block E), cost optimisation and early works have started and these are due to complete by spring 2026, which is later than the estimate in Quarter 1 and explains the quarterly variance. Main construction works will then commence, assuming the viability position of the project is acceptable at that stage. There is a large S106 payment due across both phases during the year and delivery options for phase 2 will also be progressed to try and achieve best value for the project overall.

Colville Phase 2C - The forecast is £5.6m, £2.6m below the in-year respective budget of £8.2m. The Pre-Commencement Services Agreements (PCSA) period and demolition works are now complete and a final contract sum has been agreed with the contractor. Works relating to the Thames Water drop shaft will commence in October 2024, with the main construction works starting at the end of 2024. These are expected to last approximately 24 months.

12.4.5 **Housing Supply Programme**

The overall forecast of the Housing Supply Programme is £21.7m, £6.3m below the in-year respective budget of £28m. Below is a brief update on the main schemes causing the variance:

Wimbourne Street and Buckland Street - The forecast is £18.7m, £6.3m below the in-year respective budget of £25m. Construction is well underway with project completion dates spring 2025 and autumn 2025 respectively. The reduction in forecast compared to last quarter is due to delays relating to the manufacture and delivery of the external panels, which are made off-site. The forecast has been based on cash flow information provided by the external Employers Agent and the projects are expected to be on budget overall.

12.4.6 **Woodberry Down Regeneration**

The forecast is £15.1m, £0.3m above the in-year respective budget of £14.8m. 24 Buybacks are expected to complete during the year, with the majority of these relating to phase 4, where vacant possession is required by spring 2025. Some of these units will be used as Temporary Accommodation until demolition. Within the forecast, there is also an allowance for decant costs. Other costs relate to void works for split households and capitalised staffing charges. Reimbursement of the final amount relating to phase 2 is expected to be received this financial year from Berkeley Homes, alongside the initial payment for phase 4.

Appendices

Appendix 1: Reprofiling Phase 2 and Capital Adjustments

Appendix 2: Site Plan of 17 Sylvester Road E8 1DZ

Exempt

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this appendix is exempt because it contains Information relating to the financial or business affairs of any particular person and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Appendix 3: Heads of Terms for Unit A, Residence Tower, Goodchild Road, N4 2LY

Background Documents

None.

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